DS-359 MARCH 1976

DAIRY Situation

ECONOMIC RESEARCH SERVICE U.S. DEPARTMENT OF AGRICULTURE

CURRENT SITUATION CHARTS

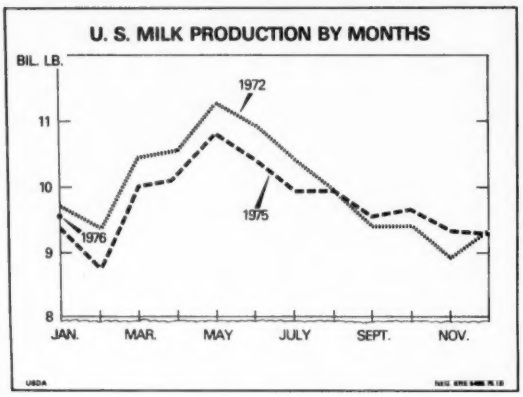

Figure 1

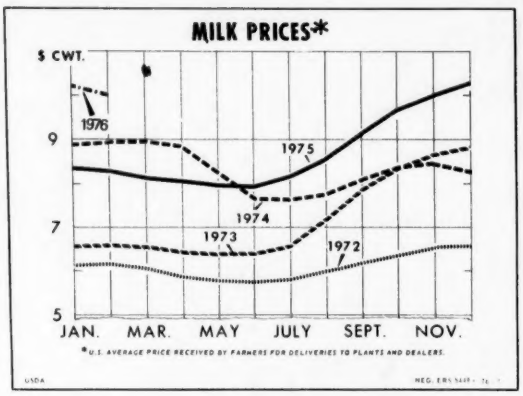

Figure 2

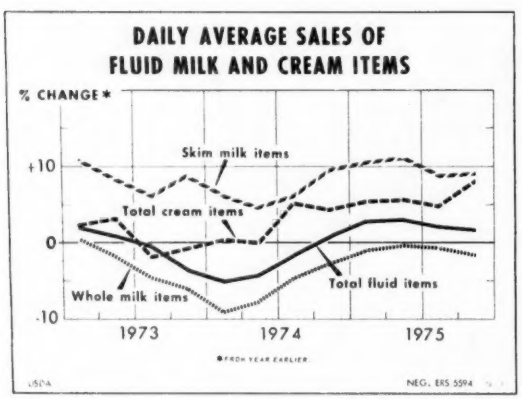

Figure 3

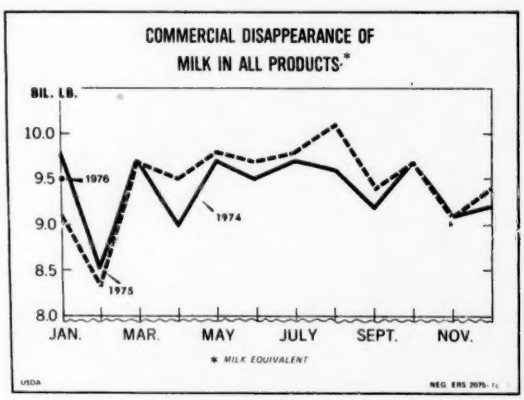

Figure 4

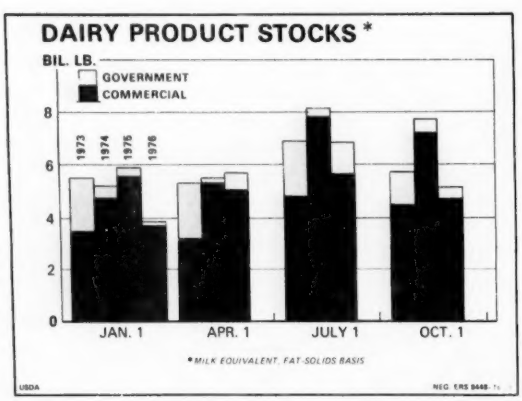

Figure 5

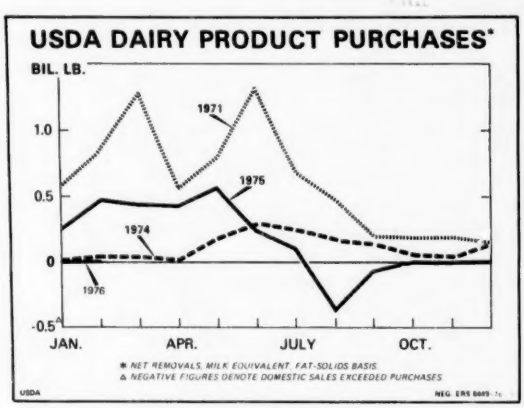

Figure 6

In This Issue

	Page
January Milk Output Strong . . . . . Production per cow up . . . Feeding heavier . . . Slightly heavier culling . . . Large replacement herd . . . Output to continue gains	5
1975 Output Unchanged . . . . . Cow numbers dropped slowly . . . Small gains in production per cow	5
Milk Prices Declining . . . . . Spring milk prices to be well above 1975 . . . Higher support price announced . . . Wholesale prices down . . . Retail prices to stabilize	12
Cheese Production Jumps . . . . . Butter-nonfat dry milk output lags . . . Milk for manufacturing to be up . . . Commercial stocks low	15
Dairy Sales May Slow . . . . . Fluid sales easing . . . Butter use to slip . . . Cheese sales strong . . . Nonfat dry milk weak	17
Per Capita Consumption Rises . . . . . 1975 use per person up slightly to 546 pounds . . . Butter and ice cream higher . . . Cheese slipped	20
Dairy Imports Down . . . . . Imports in 1975 lowest since 1971 . . . Nonfat dry milk exports higher . . . Other exports and shipments small . . . World milk surplus to continue	25
List of Tables	30

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SUMMARY

Farm milk prices this spring will remain 10-15 percent above year-earlier levels. However, they will be sharply lower than the December peak, reflecting recent declines in wholesale prices and expected increases in milk supplies available for manufacturing. The support level for the marketing year beginning April 1 will be raised 42 cents to $8.13 per 100 pounds, 80 percent of parity.

Off to a strong start in 1976, gains in milk production probably will continue and output during the first half of 1976 could be up around 1 percent or more from last year. The extent of gains later in the year will depend on feed prices, cull cow prices, and developments in the general economy.

The drops in cow numbers from year-earlier levels have sharpened slightly and higher cull cow prices and slightly better off-farm opportunities may result in a slightly faster pace in coming months. However, the declines from year-earlier levels likely will remain relatively modest, due in part to a still-large replacement herd.

Milk-feed price relationships, much improved from early 1975, likely will continue to encourage heavier concentrate feeding and relatively normal gains in output per cow.

Strong fourth quarter 1975 increases from 1974 in milk output about offset the summer declines and brought the 1975 total to 115.5 billion pounds, virtually unchanged from both 1973 and 1974. Relatively small declines in milk cow numbers were balanced by small gains in production per cow.

Farmers received an average $10.00 per 100 pounds of milk in February, down 30 cents from the December peak but up $1.72 from last February. For all of 1975, farmers averaged $8.72 per 100 pounds, up 40 cents from 1974.

Larger cash receipts from dairying in the second half pulled the 1975 total to $9.8 billion, up from

The *Dairy Situation* is published in March, May, July, September, and December

$9.4 billion in 1974. Gross dairy income will run well above year-earlier levels in early 1976 as a result of increases in both marketings and prices.

Wholesale prices of manufactured dairy products have declined sharply since December. By early March, butter prices had declined about 24 cents from their December peak, nonfat dry milk was off about 9 cents, and American cheese prices were down about 13 cents. Wholesale prices were close to the recently announced support purchase prices, which will become effective on April 1.

Retail dairy prices rose very rapidly during late 1975 and started this year about 8 percent above a year ago. By the end of 1976, retail prices may not greatly exceed current levels but the average level for the year could be 6-8 percent above 1975, compared with 1975's 3 percent average rise.

Strong cheese sales have pulled more milk into cheese production with January-February American cheese output up about a sixth. Meanwhile, butter and nonfat dry milk production has lagged last year's levels, even though total milk supplies available for manufacturing were up.

Commercial disappearance of milk in all dairy products was up almost 1 percent last year, reaching the highest level since 1966. Sales of butter, ice cream, and fluid milk posted substantial gains although cheese sales slipped, due to weak sales in early 1975. Dairy sales may weaken in coming months. Sales of cheese are likely to show strength but fluid sales are slowing and butter sales probably will not equal last year's very strong levels.

Per capita civilian consumption of milk in all dairy products came to 546 pounds in 1975, up slightly from 1974. Butter and ice cream consumption per person was up from a year earlier but cheese consumption fell for the first time in more than a decade.

Commercial dairy stocks remained at low levels on February 1. Commercial holdings were equivalent to only 3.7 billion pounds of milk, down a third from a year earlier. Butter stocks were close to the lowest on record and American cheese holdings were somewhat tight relative to the strong sales. Rebuilding of dairy stocks likely will absorb most of the expected increase in manufactured product output in coming months.

Imports of dairy products totaled 1.7 billion pounds milk equivalent in 1975, the lowest level since 1971 and down almost half from 1974. The decline was due to lower cheese imports. With the exception of nonfat dry milk donated under the Food for Peace program (PL 480), exports and shipments to U.S. territories of dairy products were fairly small in 1975.

DAIRY SITUATION

SITUATION AND OUTLOOK

PRODUCTION

Milk Production Expanding

Milk output in January was almost 2 percent above year-earlier levels, reflecting the recently favorable milk-feed price relationships and heavier feeding of grain and other concentrates. The strong gains in output per cow easily offset the relatively small decline in milk cow numbers and resulted in the largest January production since 1972.

Milk output per cow in January continued 3 percent higher than a year earlier, about the same year-to-year increase as during November and December. These gains were sparked by heavier grain feeding as farmers reported feeding 3 percent more concentrates than a year earlier on January 1, following a boost of more than a tenth on October 1.

Milk cow numbers in early 1976 were down about 1 percent from year-earlier levels, still a relatively slow decline but slightly sharper than in early 1975.

Production increases early this year were fairly widespread, with the Pacific, Lake States, and Northeast regions all showing gains of around 3 percent or more. However, the Corn Belt, Delta States, and especially the Southern Plains entered 1976 on a weak note. Only 14 of the 34 States that report monthly produced less milk than last January. Except for Minnesota, where continued drops in output per cow held milk production below a year earlier, the 5 major dairy States all posted strong gains, ranging from New York's 2 percent to Wisconsin's 7 percent.

The 1976 Outlook

Although milk production is off to a strong start, 1976 output will be influenced by several factors:

(1) Although remaining well above year-earlier levels, farm milk prices will decline sharply in coming months as recent wholesale price declines, reflecting the turnaround in market conditions, show up at the farm level.

(2) The support price for milk will be raised 42 cents to $8.13 per 100 pounds, 80 percent of parity, on April 1 and will be reviewed quarterly.

(3) Feed prices in coming months likely will be roughly the same as a year ago.

(4) Although the milk-feed price ratio will not continue at the 1.8 levels of November-January in coming months, feeding relationships will be much more favorable than a year ago.

(5) Production costs other than feed are likely to continue climbing in 1976.

(6) There was a large supply of replacement heifers at the start of the year, running almost 36 per 100 milk cows.

(7) Slaughter cow prices have risen with Utility cows at Omaha going for about $27 per 100 pounds by early March, with some further rises expected this spring.

(8) Despite the recent improvement in the general economy, off-farm alternatives for dairymen are still quite limited and are unlikely to improve rapidly.

Under these conditions, milk production likely will remain fairly strong during the first half of 1976. This year's much-improved milk-feed price relationships likely will continue to encourage heavier grain feeding than last year. This could mean that gains in output per cow will remain relatively normal. On the other hand, the drops in milk cow numbers probably will stay fairly modest. Slightly greater declines, due to higher cull cow prices and slightly better off-farm opportunities, are expected but the acceleration probably will not be substantial, especially in light of the large replacement numbers.

Milk production during the first half of 1976 likely will exceed 1975 levels by around 1 percent or more. The extent of gains during the second half of the year will depend on feed prices, cull cow prices, and developments in the general economy. If another large grain crop is harvested this fall, milk-feed price relationships probably will remain fairly favorable and significant milk-production increases likely would continue throughout the year. On the other hand, shortfalls in feed production or sharp jumps in herd culling could hold down milk output.

1975 Milk Summary

Milk production in 1975 totaled 115.5 billion pounds, virtually unchanged from both 1973 and

Table 1.--Milk production, milk per cow, and milk cows on farms, by months, 1969-75, with comparisons

Month	1969	1970	1971	1972	1973	1974	1975 1/	Change from year earlier: 1974	Change from year earlier: 1975
	Million pounds							-- Percent --	
Milk production 2/									
January	9,408	9,403	9,573	9,720	9,525	9,333	9,379	-2.0	+0.5
February	8,834	8,852	8,994	9,391	8,932	8,755	8,781	-2.0	+.3
March	10,015	10,099	10,220	10,452	10,176	9,993	10,021	-1.8	+.3
April	10,237	10,289	10,423	10,566	10,298	10,126	10,121	-1.7	*
May	11,038	11,042	11,159	11,268	10,952	10,865	10,818	-.8	-.4
June	10,710	10,703	10,815	10,946	10,532	10,614	10,435	+.8	-1.7
July	10,121	10,209	10,285	10,442	10,014	10,169	9,967	+1.5	-2.0
August	9,643	9,733	9,860	9,978	9,489	9,710	9,588	+2.3	-1.3
September	9,143	9,203	9,328	9,431	8,877	9,136	9,068	+2.9	-.7
October	9,091	9,278	9,444	9,437	8,948	9,091	9,173	+1.6	+.9
November	8,669	8,832	9,004	8,911	8,590	8,658	8,823	+.8	+1.9
December	9,199	9,319	9,427	9,362	9,052	9,103	9,284	+.6	+2.0
Total	116,108	116,962	118,532	119,904	115,385	115,553	115,458	+.1	-.1
Milk per cow 2/									
	Pounds							-- Percent --	
January	750	778	804	826	821	828	837	+0.9	+1.1
February	707	733	756	799	773	778	784	+.6	+.8
March	805	838	860	890	883	889	896	+.7	+.8
April	825	855	878	900	898	902	905	+.4	+.3
May	893	919	942	961	957	969	968	+1.3	-.1
June	870	892	913	935	924	947	936	+2.5	-1.2
July	824	852	869	894	881	908	894	+3.1	-1.5
August	788	813	834	855	837	867	861	+3.6	-.7
September	749	770	790	809	784	815	815	+4.0	0
October	747	777	800	810	791	812	825	+2.7	+1.6
November	714	740	763	766	760	773	795	+1.7	+2.8
December	759	782	800	805	802	813	837	+1.4	+3.0
Total 3/	9,434	9,747	10,009	10,250	10,114	10,300	10,354	+1.8	+.5
Milk cows on farms 4/									
	Thousands							-- Percent --	
January	12,536	12,087	11,908	11,773	11,597	11,266	11,199	-2.9	-0.6
February	12,492	12,070	11,889	11,760	11,556	11,249	11,195	-2.7	-.5
March	12,446	12,053	11,881	11,747	11,518	11,243	11,189	-2.4	-.5
April	12,403	12,034	11,867	11,739	11,471	11,229	11,186	-2.1	-.4
May	12,355	12,019	11,852	11,721	11,439	11,216	11,172	-1.9	-.4
June	12,315	11,999	11,841	11,703	11,404	11,204	11,153	-1.8	-.5
July	12,276	11,986	11,832	11,685	11,369	11,202	11,148	-1.5	-.5
August	12,236	11,969	11,822	11,672	11,343	11,206	11,139	-1.2	-.6
September	12,199	11,956	11,811	11,659	11,316	11,209	11,128	-.9	-.7
October	12,169	11,945	11,799	11,650	11,306	11,200	11,116	-.9	-.8
November	12,140	11,932	11,794	11,639	11,298	11,197	11,100	-.9	-.9
December	12,113	11,916	11,785	11,624	11,293	11,203	11,091	-.8	-1.0
Annual av.	12,307	12,000	11,842	11,698	11,409	11,219	11,151	-1.7	-.6

1/ Preliminary.
2/ Excludes milk sucked by calves.
3/ May not add due to rounding.
4/ Excludes heifers not yet fresh.

*Less than .05 percent.

1974 (table 1). Up just barely during the first quarter of 1975, output trailed year-earlier levels during April-September by as much as 2 percent in July. Milk production strengthened as the year drew to a close and November-December output was up about 2 percent.

The strongest gains in milk production during 1975 were registered in the Northeast and Pacific regions, where output was up almost 2 percent. Production in the important Lake States was down slightly due to sharp declines in Minnesota. The Corn Belt also declined slightly and the Plains States fell about 5 percent (tables 2 and 3).

Milk output per cow rose only about a half percent (54 pounds) to 10,354 pounds last year and was still only 1 percent above 1972 levels. The relatively small 1975 gain primarily reflects the relatively unfavorable milk-feed price relationships of mid-1974 to mid-1975 which limited concentrate feeding. The 2½ to 3 percent gains of earlier years were largely due to sharply increasing feeding of grain and other concentrates. In addition, the large proportion of dairy heifers that evidently entered the milking herd during 1975 probably resulted in a relatively young dairy herd. While this tended to limit gains in output per cow during 1975, it may imply larger gains in subsequent years.

Last year, the U.S. milk herd averaged 11.15 million cows, down less than 1 percent from 1974. This was the smallest year-to-year decline in 2 decades.

Milk Cows Down 1 Percent

The annual livestock inventory showed 11.1 million milk cows on U.S. farms on January 1, 1976, down 1 percent from a year earlier. Although this drop was slightly greater than at the start of 1975, it was still relatively small (table 4).

Dairy cow numbers increased slightly in the important dairy regions of the Northeast, Pacific, and Lake States while declining elsewhere. The sharpest drops were in the Corn Belt and Plains States. Cow numbers were up in only 11 States although all of the 5 major dairy States were about the same or above a year ago.

After holding about steady in the second half of 1974, cow numbers declined very slowly during the first half of 1975. The decline of 51,000 cows from January to July was the smallest such drop since 1953. During the second half, the pace quickened slightly but remained relatively slow. Several factors helped to limit the 1975 decline. Relatively low slaughter cow prices discouraged heavy herd culling. Economic alternatives for dairymen and dairy labor were fairly limited as high unemployment rates reduced off-farm opportunities. Other livestock enterprises were not attractive during most of the year, although the substantial declines in the Corn Belt and Plains regions may have been trig-

Table 2—Production, price, and income changes by production regions, 1975

Production regions	1975 change from year earlier				
	Milk production	Milk cow numbers[1]	Milk per cow	Farm milk prices[2]	Cash receipts from dairying[3]
	Percent				
Northeast	+1.6	+1.2	+.3	+1.7	+7.4
Lake States	-.5	+.2	-.7	+5.7	+6.4
Corn Belt	-.8	-2.2	+1.4	+4.3	+4.1
Northern Plains	-5.1	-3.0	-2.1	+7.2	+2.0
Appalachian	+.6	-1.6	+2.2	+2.9	+4.9
Southeast	+1.4	-1.7	+3.1	-1.0	-.2
Delta States	-1.3	-2.8	+1.5	+2.9	+2.5
Southern Plains	-5.2	-4.0	-1.3	-.2	-.2
Mountain	+.3	+4.1	-.1	+3.8	+6.8
Pacific	+1.8	+.3	+1.5	+6.4	+9.3
United States	-.1	-.6	+.5	+4.8	+4.5

[1] Average number during the year. [2] Prices received by farmers for all milk sold to plants. [3] Cash receipts to farmers from milk and cream marketings.

Table 3.--Milk: Production by production regions, 1971-75, with comparisons

State and region	1971	1972	1973	1974	1975 1/	1975	
						As percent of U.S. total	Change from year earlier
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Pct.	Pct.
Maine	629	633	614	611	619	0.5	+1.3
New Hampshire	359	353	337	329	343	.3	+4.3
Vermont	2,025	2,039	1,948	1,945	2,009	1.7	+3.3
Massachusetts	658	629	595	593	601	.5	+1.3
Rhode Island	70	69	64	63	63	.1	0
Connecticut	660	643	614	613	613	.5	0
New York	10,431	10,306	9,728	9,822	9,904	8.6	+.8
New Jersey	684	645	575	551	527	.5	-4.4
Pennsylvania	7,155	7,031	6,718	6,980	7,140	6.2	+2.3
Delaware	133	132	128	128	133	.1	+3.9
Maryland	1,564	1,537	1,464	1,505	1,555	1.3	+3.3
NORTHEAST	24,368	24,021	22,785	23,140	23,507	20.4	+1.6
Michigan	4,796	4,966	4,636	4,350	4,434	3.8	+1.9
Wisconsin	18,848	19,226	18,442	18,713	18,900	16.4	+1.0
Minnesota	9,618	9,580	9,271	9,332	8,946	7.7	-4.6
LAKE STATES	33,262	33,772	32,349	32,445	32,280	28.0	-.5
Ohio	4,488	4,573	4,267	4,221	4,254	3.7	+.8
Indiana	2,430	2,454	2,329	2,260	2,210	1.9	-2.2
Illinois	2,795	2,838	2,717	2,596	2,560	2.2	-1.4
Iowa	4,577	4,400	4,180	4,025	3,916	3.4	-2.7
Missouri	2,999	3,025	2,992	2,989	3,021	2.6	+1.1
CORN BELT	17,289	17,290	16,485	16,091	15,961	13.8	-.8
North Dakota	1,023	994	1,044	980	924	.8	-5.7
South Dakota	1,557	1,540	1,569	1,542	1,370	1.2	-11.2
Nebraska	1,569	1,610	1,542	1,477	1,431	1.2	-3.1
Kansas	1,688	1,629	1,505	1,403	1,403	1.2	0
NORTHERN PLAINS	5,837	5,773	5,660	5,402	5,128	4.4	-5.1
Virginia	1,751	1,760	1,690	1,705	1,752	1.5	+2.8
West Virginia	363	345	333	350	347	.3	-.9
North Carolina	1,500	1,537	1,524	1,534	1,602	1.4	+4.4
Kentucky	2,480	2,530	2,330	2,370	2,319	2.0	-2.2
Tennessee	2,122	2,147	1,946	1,892	1,875	1.6	-.9
APPALACHIAN	8,216	8,319	7,823	7,851	7,895	6.8	+.6
South Carolina	516	518	497	515	510	.4	-1.0
Georgia	1,183	1,235	1,168	1,190	1,194	1.0	+.3
Florida	1,785	1,867	1,843	1,875	1,958	1.7	+4.4
Alabama	819	820	785	708	686	.6	-3.1
SOUTHEAST	4,308	4,440	4,293	4,288	4,348	3.8	+1.4
Mississippi	1,011	993	950	907	876	.8	-3.4
Arkansas	698	728	706	706	707	.6	+.1
Louisiana	1,129	1,132	1,062	1,059	1,054	.9	-.5
DELTA STATES	2,838	2,853	2,718	2,672	2,637	2.3	-1.3
Oklahoma	1,260	1,235	1,140	1,137	1,060	.9	-6.8
Texas	3,239	3,340	3,280	3,380	3,221	2.8	-4.7
SOUTHERN PLAINS	4,499	4,575	4,420	4,517	4,281	3.7	-5.2
Montana	334	334	312	294	284	.2	-3.4
Idaho	1,550	1,663	1,657	1,555	1,535	1.3	-1.3
Wyoming	135	135	130	123	110	.1	-10.6
Colorado	885	880	854	866	870	.8	+.5
New Mexico	312	326	318	333	362	.3	+8.9
Arizona	620	640	737	810	840	.7	+3.7
Utah	840	874	866	925	919	.8	-.6
Nevada	141	143	144	167	167	.1	0
MOUNTAIN	4,817	4,995	5,018	5,073	5,093	4.4	+.3
Washington	2,230	2,307	2,338	2,312	2,322	2.0	+.4
Oregon	1,003	1,005	1,008	1,004	990	.9	-1.4
California	9,710	10,400	10,332	10,596	10,853	9.4	+2.4
PACIFIC	12,948	13,712	13,678	13,912	14,165	12.3	+1.8
Alaska	17	18	18	18	17	2/	-5.6
Hawaii	133	136	138	139	146	.1	+5.0
UNITED STATES	118,532	119,904	115,335	115,553	115,458	100.0	-.1

1/ Preliminary. 2/ Less than 0.05 percent.

Table 4.--Milk production and factors affecting supply, United States, selected years, 1950-76

Year	Milk cattle on farms, January 1 1/			Milk cows on farms, average during year	Milk production		Prices received by farmers, 1967=100	
	Milk cows and heifers that have calved	Milk cow replacements; heifers 500 pounds and over			Per cow	Total	Dairy products	All farm products
		Total	Per 100 cows					
	Thou.	Thou.	No.	Thou.	Lb.	Mil. lb.		
1950	22,000	6,945	31.6	21,944	5,314	116,602	81	102
1955	21,320	6,832	32.0	21,044	5,842	122,945	81	91
1960	17,650	5,686	32.2	17,515	7,029	123,109	84	94
1965	15,380	4,780	31.1	14,953	8,305	124,180	85	98
1966	14,490	4,450	30.7	14,071	8,522	119,912	96	105
1967	13,725	4,215	30.7	13,415	8,851	118,732	100	100
1968	13,115	4,080	31.1	12,832	9,135	117,225	104	103
1969	12,550	3,990	31.8	12,307	9,434	116,108	109	108
1970	12,091	3,880	32.1	12,000	9,747	116,962	113	110
1971	11,909	3,843	32.3	11,842	10,009	118,532	116	112
1972	11,778	3,828	32.5	11,698	10,250	119,904	120	126
1973	11,624	3,874	33.3	11,409	10,114	115,385	140	172
1974	11,286	3,942	34.9	11,219	10,300	115,553	160	184
1975 2/	11,211	4,095	36.5	11,151	10,354	115,458	167	181
1976 2/	11,092	3,973	35.8					

Year	Average prices received by farmers per 100 pounds					Parity prices per 100 pounds 3/		
	All milk, wholesale	Milk, eligible for fluid market	Milk, manufacturing grade	Bottling milk 4/	Milkfat in cream 5/	All milk, wholesale	Milkfat in cream 5/	Equivalent for manufacturing milk
	Dol.	Dol.	Dol.	Dol.	Ct.	Dol.	Ct.	Dol.
1950	3.89	4.36	3.16	4.86	62.0	4.32	69.2	3.82
1955	4.01	4.50	3.15	5.18	57.8	4.71	74.1	3.94
1960	4.21	4.69	3.25	5.48	60.5	5.01	74.1	4.01
1965	4.23	4.63	3.34	5.39	61.1	5.53	79.2	4.31
1966	4.81	5.17	3.97	5.82	67.2	5.73	82.1	4.47
1967	5.02	5.43	4.06	6.20	68.2	5.88	84.0	4.62
1968	5.24	5.67	4.22	6.50	68.4	6.06	86.1	4.79
1969	5.49	5.87	4.45	6.70	68.9	6.49	91.5	5.15
1970	5.71	6.05	4.70	6.94	70.0	6.87	95.3	5.49
1971	5.87	6.19	4.86	7.12	69.1	7.21	99.1	5.79
1972	6.07	6.38	5.08	7.26	67.5	7.70	103.0	6.21
1973	7.14	7.42	6.20	N.A.	67.2	8.64	113.0	7.01
1974 2/	8.32	8.66	7.13	N.A.	63.4	9.88	124.0	8.12
1975 2/	8.72	9.00	7.69	N.A.	66.0	11.00	129.0	9.14

1/ Prior to 1965, estimated by Livestock Section, ERS.
2/ Preliminary.
3/ At beginning of marketing year.
4/ Dealers' average buying price for milk used in fluid products.
5/ Cents per pound.

Utility cow prices, Omaha

Month	1974	1975	1976
	Dollars per cwt.	*Dollars per cwt.*	*Dollars per cwt.*
January	31.45	16.82	23.26
February	32.65	18.18	25.90
March	31.76	19.45	
April	30.49	21.67	
May	27.67	23.55	
June	26.39	23.32	
July	24.22	22.00	
August	24.54	21.29	
September	22.56	22.45	
October	19.68	22.01	
November	17.62	20.73	
December	17.67	21.64	
Average	25.56	21.09	

gered by favorable cash grain alternatives. Possibly the most important factor in limiting 1975's rate of decline in cow numbers was the large number of dairy replacement heifers on farms at the start of 1975 (figure 7).

The dairy replacement herd remains large although it appears to have stopped growing in size. Heifers (500 pounds and over) kept for milk cow replacement totaled almost 4.0 million head, down 3 percent from a year ago. This was the first time since 1972 that the January 1 figure was below year-earlier levels. However, replacement stock continues high and the ratio of replacement heifers to milk cows was almost 36 per 100 cows, the second highest on record. This large number of replacements probably will continue to bolster milk cow numbers in the coming year.

Milk cows and replacements, 1973-76

Month and year	Milk cows	Replacement heifers, 500 pounds and over	
		Number	Per 100 cows
	1,000	*1,000*	*Number*
1973			
January 1	11,624	3,874	33.3
July 1	11,387	3,918	34.4
1974			
January 1	11,286	3,942	34.9
July 1	11,203	3,900	34.8
1975			
January 1	11,211	4,095	36.5
July 1	11,151	3,932	35.3
1976			
January 1	11,092	3,973	35.8

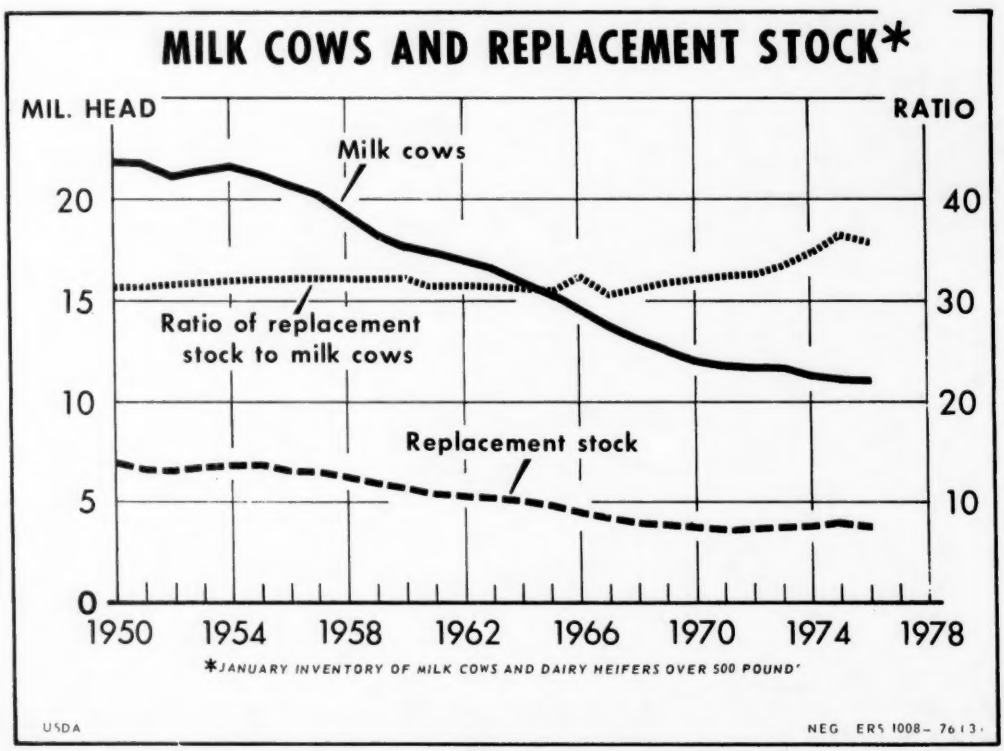

Figure 7

Feed Prices Firm

Moderate expansion in domestic livestock feeding and large feedgrain exports have led to some firming in feed prices since last fall. By early March, Chicago corn was quoted at around $2.70, down about 20 cents from a year ago. The corn market is expected to remain steady to possibly somewhat higher by spring.

In early March, soybean meal at Decatur was running about $130 per ton, up from an average $118 during March 1975. Soybean meal prices remain low relative to grain prices and use has been heavy. Prices of soybean meal may also strengthen slightly this spring.

As of January 1, farmers intended to plant 4 percent more acres in corn than last year, the highest total since 1961. If this acreage is actually planted and no serious weather problems develop, another large crop will be harvested and prices will be fairly moderate in late 1976. Although farmers plan to plant fewer acres to soybeans this year, total supplies of soybean meal are expected to be quite adequate.

The price of 16-percent protein dairy ration averaged $136 per ton in February, about the same as a year earlier. Prices of dairy rations likely will hold or rise slightly in coming months. Good quality hay remains expensive. Farmers paid an average $70 per ton in February for alfalfa hay, up about $4 from a year ago.

The milk-feed price ratio (pounds of feed equal in value to a pound of milk) was 1.7 in February,

Milk-feed price ratio[1]

Month	1974	1975	1976
	Pounds	*Pounds*	*Pounds*
January	1.53	1.25	1.75
February	1.51	1.33	1.70
March	1.49	1.38	
April	1.51	1.36	
May	1.45	1.36	
June	1.36	1.36	
July	1.29	1.40	
August	1.16	1.41	
September	1.22	1.54	
October	1.21	1.62	
November	1.23	1.77	
December	1.20	1.80	
Average	1.35	1.46	

[1] Pounds of concentrate ration equal in value to 1 pound of milk.

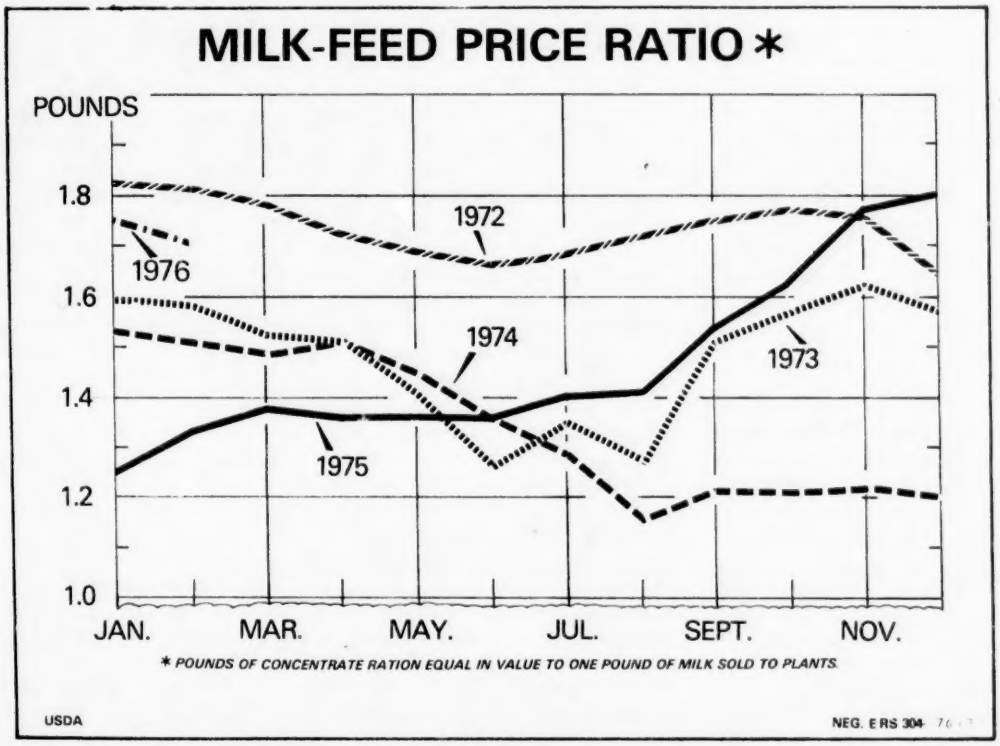

Figure 8

down from December's 1.8 but far above last February's 1.3 (figure 8). The difference in the value of 100 pounds of milk and 100 pounds of concentrate ration stood at more than $4, about double the year-earlier level. Milk-feed price relationships will not be as favorable in coming months but will remain much-improved from last year's depressed levels.

PRICES AND INCOME

Farm Milk Prices Falling

Following sharp rises this fall and winter, farm milk prices have started to decline. Farmers received an average of $10.00 per 100 pounds of milk in February, down 30 cents from the record-high peak in December but $1.72 above a year earlier.

Milk prices received by farmers

Month	All sold to plants			Manufacturing grade		
	1974	1975	1976	1974	1975	1976
	Dollars per 100 pounds					
January	8.89	8.33	10.20	8.13	7.00	9.07
February	8.92	8.28	10.00	8.15	7.04	8.55
March	8.96	8.13		8.14	7.01	
April	8.84	8.09		7.75	7.04	
May	8.25	7.98		6.86	7.05	
June	7.69	7.94		6.42	7.08	
July	7.61	8.19		6.31	7.25	
August	7.74	8.56		6.46	7.60	
September	8.07	9.16		6.81	8.22	
October	8.34	9.66		7.03	8.72	
November	8.48	9.99		7.02	8.99	
December	8.25	10.30		6.74	9.27	
Average	8.32	8.72		7.13	7.69	

The difference between the price of milk eligible for fluid use (Grade A milk) and manufacturing grade (Grade B) has narrowed somewhat from the relatively wide differences of 1974. In January 1976, this difference was $1.43, down from $1.69 a year earlier. During 1968-74, Grade A milk prices exceeded manufacturing prices by an average $1.35 per 100 pounds in January.

Manufacturing grade milk prices averaged $8.55 in February, down 72 cents from December but up $1.51 from February 1975. Manufacturing milk prices thus far in 1976 have been pulled down by declines in wholesale dairy product prices, which started as market conditions began to ease in late December.

Adjusted to the annual average fat test, manufacturing milk prices in February averaged 80 cents above the $7.71 support level and 38 cents above the support level for the coming marketing year. However, manufacturing prices will drop closer to the new support level in coming months as more milk becomes available for manufacturing uses.

In 1975, farmers' milk prices averaged $8.72 per 100 pounds, up 40 cents from 1974. Manufacturing milk prices averaged $7.69 last year, up 56 cents from 1974.

In January 1976, cheese plants paid about 7 cents more for milk of equivalent fat test than did butter-powder plants. During the second and third quarters of 1975, cheese plants paid slightly more before rapidly increasing wholesale butter prices during the October-December quarter swung the advantage slightly toward butter-powder. American cheese plants likely will pay somewhat more for milk than butter-powder plants during the flush season, due to the relative changes in support purchase prices.

Minimum Class I prices in Federal order markets will average about $10.35 per 100 pounds in April, up $1.35 from last April but down 88 cents from the February peak. This decline in minimum Class I prices reflects the December to February drop in the Minnesota-Wisconsin price, the first such declines in a year.

Estimated over-order payments on Class I milk have been declining since September and are substantially below a year ago. They averaged around 35 cents per hundredweight during the fourth quarter of 1975. In January, the average over-order payment was estimated to be around 20 cents and the February average probably was less than 10 cents. Last year, the estimated over-order payments averaged $1.00 in January and 89 cents in February.

Farm milk prices have started what will be a sharp seasonal decline in coming months, reflecting increased supplies of dairy products relative to demand. Although dropping $1 or more from the December peak, farm milk prices this spring will be 10-15 percent above year-earlier levels since declines will be limited by the $8.13 support price for the new marketing year starting April 1.

On March 3, the Secretary announced that the support price for the 1976/77 marketing year will be $8.13 per 100 pounds, up 42 cents from the current level. Legislation which would have set the price support level at 85 percent of parity with quarterly adjustments was recently vetoed by President Ford and the veto was sustained in the Senate. At the time of the Senate debate, Secretary Butz communicated to the Senate his intention to adjust the level of dairy price supports to 80 percent of parity on April 1, 1976.

Dairying Grosses $9.8 Billion

Cash receipts from milk and cream marketings are estimated at $9.8 billion in 1975, up more than 4 percent from 1974's $9.4 billion. The increase was attributed to higher milk prices as milk marketings by farmers were about the same as a year earlier. At the same time, all production costs averaged about 9 percent higher than in 1974 but feed costs were about 3 percent lower.

The first half of 1975 was very difficult for dairymen, as gross income was down from year-earlier levels by more than 5 percent while all production costs were up about 12 percent and feed costs were more than 3 percent above year-earlier levels. The income picture improved greatly during the second half, with gross incomes about 15 percent above 1974, more than offsetting production cost increases of 6-7 percent.

During October-December cash receipts were up more than a fifth from the same period a year ago as both marketings and prices were higher. Meanwhile, the increases in total production costs slowed to less than 5 percent with feed costs down about 13 percent.

Wholesale Prices Off Sharply

Wholesale dairy product prices have moved sharply lower since the first of the year. Prices throughout the fall and early winter had increased rapidly as a result of the tight supply-demand balance. Increased supplies of milk available for manufacturing at the end of 1975 and a slowing of butter demand following the holiday buying season led to the declines in wholesale prices.

Grade A butter at Chicago was quoted at about 85 cents per pound in early March, down about 24 cents from the December peak (figure 9). Wholesale American cheese prices have strengthened slightly recently following substantial declines early in 1976. In early March, 40-pound blocks were quoted at about 91 cents per pound at Wisconsin assembly points, down about 13 cents from the December peak. Nonfat dry milk prices at 63-64 cents are near the support level and small purchases have been made by CCC in 1976 when prices touched the support purchase price.

Wholesale ice cream prices, which were fairly stable during the first 9 months of 1975, increased slightly during October-December and were almost 4 percent above year-earlier levels during January

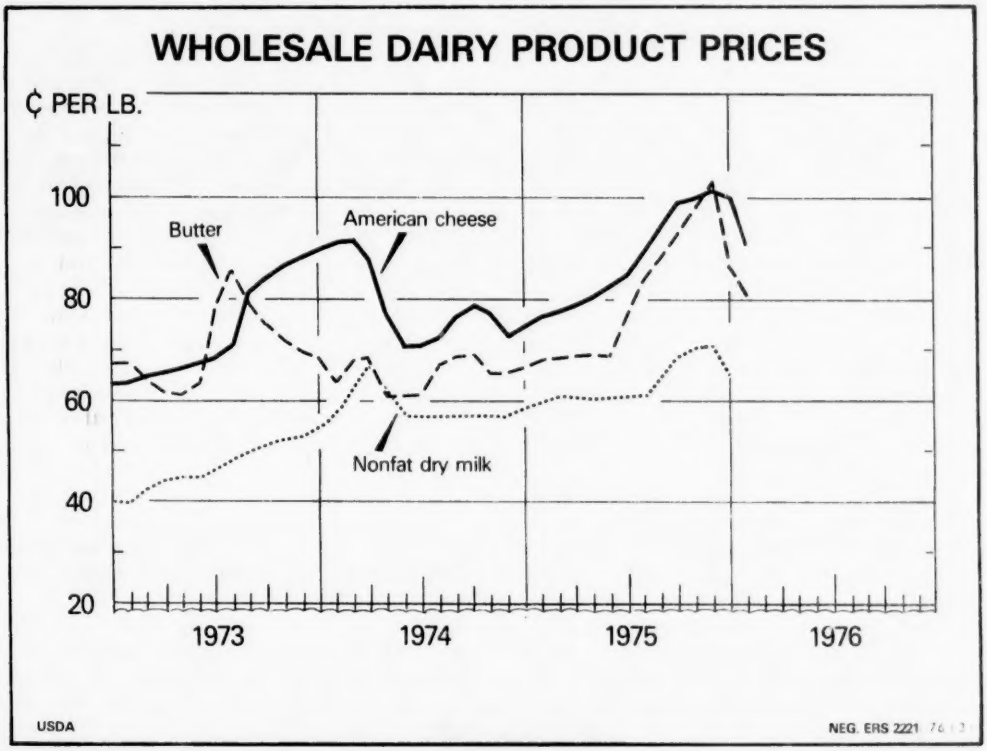

Figure 9

Table 5.--Factors influencing and indicative of the demand for milk and dairy products, United States, selected years, 1950-75 1/

Year	Total population July 1 (including Armed Forces overseas)	Total civilian employment	Per capita disposable income		Civilian per capita disappearance				
					Milk equivalent		Milk solids		
			Actual	Deflated by consumer price index	Fat-solids basis	Calcium content basis	Milk-fat	Solids-not-fat	Margarine
	Million	Million	Dollars	Dollars	Pounds	Pounds	Pounds	Pounds	Pounds
1950	151.7	58.9	1,355	1,879	740	507	29.3	43.6	6.1
1955	165.3	62.2	1,654	2,062	706	525	27.2	44.5	8.2
1960	180.7	65.8	1,934	2,180	653	512	24.5	43.4	9.4
1965	194.3	71.1	2,430	2,571	620	505	22.9	42.7	9.9
1966	196.6	72.9	2,597	2,672	604	503	22.3	42.4	10.5
1967	198.7	74.4	2,740	2,740	581	494	21.4	41.6	10.5
1968	200.7	75.9	2,930	2,812	577	499	21.2	41.8	10.8
1969	202.7	77.9	3,111	2,833	569	497	20.9	41.7	10.8
1970	204.9	78.6	3,348	2,879	561	486	20.6	41.1	11.0
1971	207.0	79.1	3,588	2,958	558	490	20.5	41.2	11.1
1972	208.8	81.7	3,837	3,062	561	479	20.6	41.6	11.3
1973	210.4	84.4	4,292	3,225	554	477	20.3	41.9	11.3
1974 2/	211.9	85.9	4,642	3,143	543	462	19.9	40.2	11.3
1975 2/	213.6	84.8	5,040	3,127	546	464	20.1	41.3	11.5

	Average retail prices, BLS index, 1967=100								
	Consumer price	All foods	Dairy products	Fluid milk, grocery	Butter	Cheese, American process	Ice cream	Evaporated milk	Margarine, colored
1950	72.1	74.5	72.6	71.9	83.4	65.0	102.9	71.9	100.0
1955	80.2	81.6	80.2	81.1	81.5	72.4	98.5	77.6	93.7
1960	88.7	88.0	88.4	91.1	86.7	76.2	100.7	89.7	88.6
1965	94.5	94.4	90.0	90.3	89.4	85.5	95.4	89.7	97.2
1966	97.2	99.1	95.8	96.1	97.3	95.8	97.6	94.2	99.7
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	104.2	103.6	103.3	104.1	100.8	102.1	99.8	102.0	98.6
1969	109.8	108.9	106.7	107.0	102.1	107.7	100.5	105.2	98.3
1970	116.3	114.9	111.8	111.6	104.5	115.6	104.8	111.9	106.0
1971	121.3	118.4	115.3	114.6	105.8	121.0	106.2	118.6	116.0
1972	125.3	123.5	117.1	116.3	105.3	124.7	106.5	120.0	117.6
1973	133.1	141.4	127.9	127.3	110.7	138.5	113.1	134.3	133.4
1974	147.7	161.7	151.9	152.5	114.1	167.9	133.3	172.2	204.9
1975 2/	161.2	175.4	156.6	152.7	124.2	175.8	151.6	183.9	224.6

1/ Includes available data for Alaska and Hawaii beginning 1960.
2/ Preliminary.

1976. Evaporated milk prices, which began 1975 at $11.93 per case and ended the year at $13.67, averaged $12.27 during the year, up slightly more than 4 percent from the 1974 average. However, the December increase from the previous year was almost 15 percent.

The wholesale dairy price index, as reported by the Bureau of Labor Statistics (BLS), stood at 169.7 in January, down 1 percent from December but up 14 percent from year-earlier levels. For all of 1975, the wholesale dairy price index averaged about 6½ percent above last year with the major increases occurring during the last half.

Wholesale prices during the flush season likely will settle close to the new support purchase prices of 87¾ cents per pound for butter in New York, 90½ cents per pound for Cheddar cheese, and 62.4 cents per pound for nonfat dry milk. Increased milk supplies, a possible weakening of fluid sales, and lower butter sales likely will all contribute, although rebuilding of commercial stocks and strong cheese sales may provide some firmness.

Retail Prices Still Rising

Retail dairy prices, which started rising rapidly last fall, continued to increase in January. The BLS index of retail dairy prices stood at 168.2 in January, up almost 8 percent from September and just over 8 percent above year-earlier levels. Retail prices of all food items were almost 6 percent above a year earlier in January and all items in the Consumer Price Index were up almost 7 percent.

Retail dairy product prices

Item	Unit	Year 1974	Jan. 1975	Year 1975	Jan. 1976
All dairy products	1967=100	151.9	155.2	156.6	168.2
Butter	c/lb.	94.6	92.1	102.5	129.8
Processed American cheese	c/½-lb.	72.9	73.1	76.8	86.2
Ice Cream	c/½-gal.	107.6	121.6	122.3	125.6
Whole milk: At stores	c/½-gal.	78.4	79.3	78.5	82.1
Evaporated milk	c/can	28.8	30.5	30.8	33.5
Skim milk: At stores	c/qt.	41.2	42.2	42.4	44.5

For all of 1975, retail prices of dairy products averaged about 3 percent above year-earlier levels, well below the 19-percent increase of 1974 and the 4½-percent average increase of the early 1970's. Meanwhile, all food prices averaged about 8½ percent higher in 1975 (table 5). The largest jumps in dairy prices came late in the year, with increases in the fourth quarter averaging over 6 percent.

Fluid milk prices rose about 4 cents per half-gallon during the last 4 months of 1975. Following price declines early in the year, this increase brought the average for all of 1975 to 78.5 cents per half-gallon, up only 0.1 cent from the previous year. The relative stability of prices during most of 1975 was undoubtedly responsible for part of the strength in fluid sales throughout the year. January retail prices of fluid milk were about 3 cents per half-gallon above a year earlier. The retail price of ice cream in January was up 4 cents per half-gallon from a year ago. This was the smallest year-to-year increase in 30 months.

Retail prices of processed American cheese have increased every month since August 1974. In January, the retail price was $1.72 per pound, up 26 cents from a year ago (figure 10). Even with the higher prices, cheese sales have shown strong gains. Retail butter prices in January, approached $1.30 per pound, as declining wholesale prices had not yet been reflected to consumers. The record high January price was about 38 cents above year-earlier levels. At the same time, margarine prices continued to decline at retail and in January were about 15 cents below year-earlier levels. Retail butter prices likely will decline from the January peak as the lower wholesale prices are more fully reflected at retail.

While retail butter and cheese prices may ease, retail fluid milk prices likely will rise before leveling off in spring. Although wholesale prices have declined sharply, retail prices of all dairy products may hold fairly steady this spring. Farm to retail price spreads were reduced considerably during late 1975 but these spreads likely will widen in coming months. The retail price index for dairy products may show only modest rises from now until the end of 1976, resulting in an increase of 6-8 percent over the average for 1975.

During the fourth quarter of 1975, the retail cost of dairy products in the market basket of farm foods was up more than 6 percent from year-earlier levels. The farm value was up more than 17 percent from a year ago while the farm-retail spread was down about 3½ percent. As farm milk prices rose much more rapidly than retail dairy prices, the farmer's share of the consumer's dairy dollar rose to 52 percent, compared with 48 percent a year ago. The decline in the farm-retail spread likely will be reversed in coming months.

UTILIZATION

Cheese Output Jumps; Butter Lower

Production of American cheese started 1976 on a very strong note as wholesale cheese prices, held

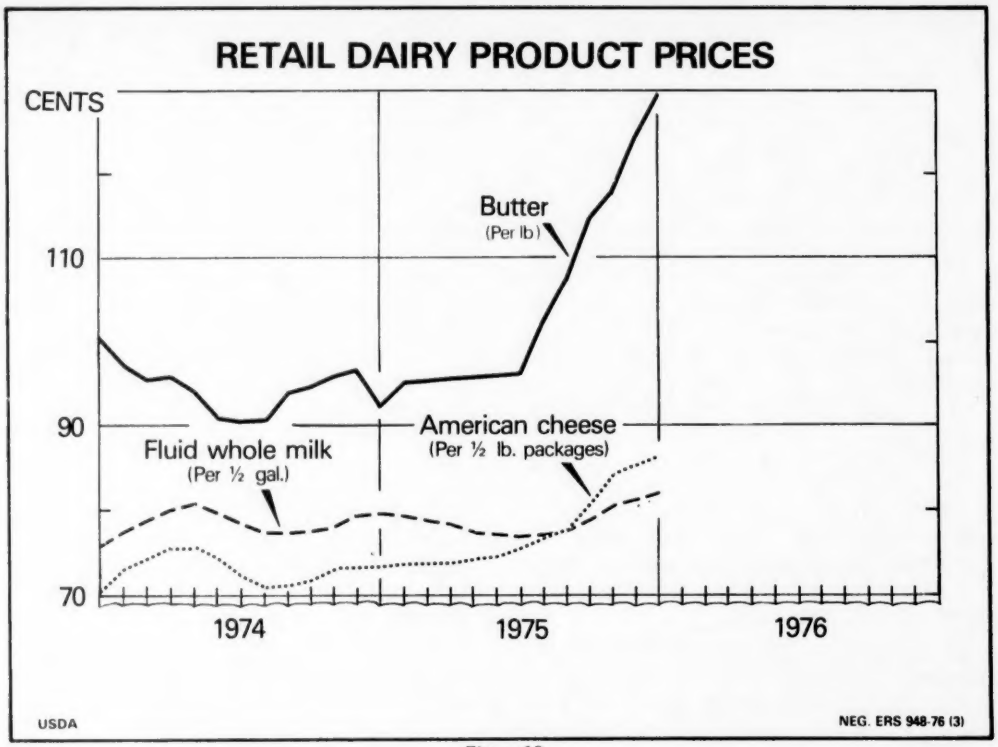

Figure 10

up by brisk sales, gave manufacturers a substantial edge over butter-powder plants in competing for available milk supplies. January output was up 14 percent from a year ago and weekly production estimates indicate that the February gain was slightly greater. Production of other varieties in January showed a 16-percent increase.

Total 1975 cheese production (excluding cottage cheese) came to 2.8 billion pounds, down from the record 2.9 billion pounds of 1974 (table 6). Although other varieties posted a small gain, American types fell to 1.7 billion pounds last year as high commercial stocks and sluggish sales limited output in early 1975. Later in the year, tight supplies of milk for manufacturing kept cheese output from fully recovering.

Other-than-American types showed small gains throughout most of 1975 with output totaling 1.1 billion pounds for the year. Cream and Neufchatel and Mozzarella posted small gains in 1975, other Italian and Brick and Muenster increased slightly, while Swiss output slipped somewhat.

Early 1976 butter output has been below year-earlier levels. Butter production was down 3 percent in January from a year earlier and preliminary estimates indicate about a 7-percent drop in February. Despite the need for rebuilding stocks and respectable butter sales, butter-powder plants have not been in a competitive position for milk.

Butter production in 1975 totaled 976 million pounds, up more than 1 percent from 1974 and the highest since 1972. After very strong gains in January-April, butter output was below year-earlier levels during the rest of the year.

Nonfat dry milk production was down a fifth from a year earlier in January, continuing the sharp declines of late 1975. A total of 1.0 billion pounds of nonfat dry milk was produced in 1975, virtually unchanged from 1974. Strong gains during the first half of 1975 were offset by very weak output later in the year.

Creamed cottage cheese output was up 3 percent last year but remained well below 1973 levels. Lowfat cottage cheese production also showed a small gain. Canned milk output was down a tenth in 1975, about the same drop as in other recent years. Production of ice cream boomed throughout last year and was up 8 percent from 1974. Ice milk production was unchanged while sherbert and mellorine declined.

Last year, about 60½ billion pounds of milk went into manufactured products, down slightly from the more than 61-billion-pound level of 1974. Strong fluid sales pulled slightly more milk away

Table 6.--Production of selected manufactured dairy products, 1973-75

Item	1973	1974	1975 1/	Change from year earlier	
				1974	1975
	Million pounds			Percent	
Butter	918.6	961.7	975.6	+4.7	+1.4
Cheese:					
American	1,672.5	1,858.6	1,664.5	+11.1	-10.4
Other	1,012.8	1,071.8	1,131.4	+5.8	+5.6
Creamed cottage	958.2	855.5	881.5	-10.7	+3.0
Canned milk	1,102.2	1,035.2	932.5	-6.1	-9.9
Dry whole milk	78.0	67.7	63.6	-13.2	-6.1
Ice cream (mil. gal.)	773.7	782.0	843.8	+1.1	+7.9
Milk equivalent 2/	58,679	61,245	60,485	+4.4	-1.2
Nonfat dry milk	916.6	1,019.9	1,024.9	+11.3	+.5

1/ Preliminary. 2/ Total all manufactured products.

Wisconsin out-of-state milk shipments

Month	1974		1975	
	Loads	Volume	Loads	Volume
	Number	*Thousand pounds*	*Number*	*Thousand pounds*
January	640	30,080	252	11,844
February	212	9,964	135	6,345
March	58	2,726	138	6,486
April	18	846	54	2,538
May	2	94	54	2,538
June	15	705	49	2,303
July	34	1,598	77	3,619
August	90	4,230	164	7,708
September	352	16,544	548	25,756
October	212	9,964	694	32,618
November	457	21,479	544	25,568
December	298	14,006	384	18,048
Total	2,388	112,236	3,093	145,371

from manufacturing last year. Considerably more milk went into ice cream and butter with less going into cheese and canned milk.

Production of manufactured dairy products probably will be up this year as milk production expands. Cheese output could show strong gains, surpassing both 1974 and 1975 levels. Butter production could be slightly lower to about the same. Frozen desserts may show a small gain, although output may not jump as it did in 1975. The long-term decline in canned milk production is expected to continue.

Dairy Sales Strong

Dairy sales started 1976 on a very strong note in January after a fairly modest last quarter of 1975. However, much of the 4-percent January gain from a year ago probably represented some rebuilding of pipeline levels after the very tight situation of late 1975. American cheese, other cheese, and butter all posted significant gains.

Although up just slightly during the last quarter, commercial disappearance of milk in all dairy products (milk equivalent, fat solids basis) totaled 113.7 billion pounds for all of 1975, up from 112.9 billion pounds in 1974 (table 7) and the highest since 1966. Butter sales were very strong during the first 8 months and the year totaled 1½ percent higher than 1974, despite an almost 16-percent drop in October-December (table 8). The quite favorable retail price relationships with margarine during the first half of the year were primarily responsible for the highest annual sales since 1968. Commercial disappearance of cheese gradually strengthened during 1975. In early 1975, declining real consumer incomes and stiff competition from

Table 7.--Commercial disappearance: Total milk, annual and by quarters, 1973-75 1/

Item	1973	1974					1975 2/				
		By quarters					By quarters				
		1st	2nd	3rd	4th	Annual	1st	2nd	3rd	4th	Annual
	Billion pounds										
Production	115.4	28.1	31.6	29.0	26.9	115.6	28.1	31.4	28.6	27.3	115.5
Farm use	3.4	.8	.8	.8	.8	3.3	.8	.8	.8	.8	3.3
Marketings	112.0	27.2	30.8	28.2	26.0	112.2	27.4	30.6	27.8	26.5	112.2
Beginning commercial stocks	3.5	4.7	5.3	7.8	7.2	4.7	5.6	5.0	5.5	4.7	5.6
Imports	3.9	1.4	.4	.4	.6	2.9	.3	.2	.4	.7	1.7
Total supply	119.4	33.3	36.5	36.4	33.8	119.9	33.3	35.8	33.7	31.9	119.5
Ending commercial stocks	4.7	5.3	7.8	7.2	5.6	5.6	5.0	5.5	4.7	3.7	3.7
Net removals	2.2	.1	.5	.6	.2	1.3	1.1	1.2	-.3	4/	2.0
Commercial disappearance											
Actual	112.4	28.0	28.2	28.6	28.1	112.9	27.1	29.1	29.3	28.2	113.7
Percent change 3/	5/-.3	+4.0	-3.6	+1.4	+.2	+.4	-3.1	+3.0	+2.4	+.3	+.7

1/ Milk equivalent, fat solids basis. Totals may not add due to rounding. 2/ Preliminary. 3/ From year earlier using unrounded data. 4/ Less than 50 million pounds. 5/ On a daily average basis.

Table 8.--Commercial disappearance: Selected dairy products, United States, annual 1965-74, by quarters, 1974-75

Year and quarter	Butter, creamery 1/	Cheese		Nonfat dry milk	Canned milk	Frozen products 3/
		American 2/	Other			
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. gal.
1965	1,095.8	1,124.4	665.2	942.1	1,841.7	1,033.4
1966	1,086.0	1,207.8	706.2	1,156.8	1,776.8	1,038.7
1967	973.9	1,175.9	738.2	1,012.2	1,571.5	1,040.2
1968	976.0	1,213.3	803.0	1,058.0	1,496.8	1,082.3
1969	921.9	1,281.0	861.6	1,042.1	1,376.1	1,092.2
1970	898.2	1,398.0	909.1	983.2	1,213.8	1,097.3
1971	847.1	1,454.8	987.0	981.8	1,186.9	1,102.4
1972	885.4	1,595.7	1,127.8	919.2	1,102.6	1,108.6
1973	855.6	1,677.1	1,210.2	1,110.1	1,056.7	1,118.6
1974	929.9	1,780.6	1,269.5	809.9	999.5	1,124.3
1974-1st	212.6	510.9	307.6	266.4	277.3	238.7
2nd	217.3	447.0	304.5	222.8	233.5	312.1
3rd	222.4	425.2	319.5	181.9	219.9	340.6
4th	277.6	397.5	337.9	138.8	268.8	232.8
1975-1st	250.7	401.3	302.8	143.2	237.4	257.2
2nd	238.5	441.6	313.9	141.8	216.0	333.4
3rd	219.0	447.4	329.3	253.8	234.4	348.9
4th	234.4	436.7	360.3	181.6	243.7	245.7
	1974-75 percent change					
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1st	+18.0	-21.5	-1.6	-46.2	-14.4	+7.8
2nd	+9.8	-1.2	+3.1	-36.4	-7.5	+6.8
3rd	-1.5	+5.2	+3.1	+39.5	+6.6	+2.4
4th	-15.6	+9.9	+6.6	+30.8	-9.3	+5.5

1/ Imports include butter equivalent of butteroil. 2/ Imports include Colby cheese; stocks do not include processed cheese. 3/ Excludes Mellorine.

other protein sources were important limiting factors. Although up a tenth in the last quarter, sales of American cheese were down 3 percent for the entire year, which outweighed the small annual increase for other varieties.

Changes in dairy sales

Item	From previous year	
	1974	1975
	Percent	*Percent*
Manufactured products:		
American cheese	+6.2	-3.1
Other cheese	+4.9	+2.9
Creamed cottage cheese	-10.7	+3.0
Butter	+8.7	+1.4
Ice cream	+1.1	+7.9
Ice milk	+.2	+.1
Canned milk	-5.4	-7.0
Nonfat dry milk	-27.0	-10.9
Fluid products:		
Whole milk	-5.5	-1.0
Skim and lowfat milk	+6.7	+9.9
Milk and cream mixtures	-4.8	-.5
Cream items	+10.0	+11.6
Total fluid products	-2.2	+2.4

Use of nonfat dry milk was very weak during 1975, falling a tenth from the fairly low 1974 levels (table 9). Substantial drops in the sales of lowfat milks fortified with additional solids, low cottage cheese production, and greater use of substitute products in processed foods likely were important. Boosted by higher prices for competing desserts and more slowly rising retail prices, ice cream sales were very strong and ran about 8 percent above year-earlier levels. Meanwhile, ice milk was about unchanged and sherbert was down slightly. Cottage cheese sales recovered slightly but were still below 1973. Canned milk disappearance continued its long term downtrend.

Helped by retail prices averaging virtually unchanged from 1974, fluid milk sales were very strong in 1975. Although the rate of gain had eased slightly by year's end, sales of fluid milk products in major urban markets were up almost 2½ percent from 1974. Sales were less than 1 percent under 1972 and 1973 levels. Whole milk sales for the year were down less than 1 percent from a year earlier, compared with a more than 6-percent drop during 1974. Although sales of lowfat and skim milk fortified with extra solids were down again in 1975, strong gains in the plain items pulled the total lowfat and skim sales up a tenth from a year earlier. Cream sales showed a small growth in 1975, continuing the pattern of recent years. Yogurt, the glamour product of the fluid industry, had a very strong year.

Sales Prospects for 1976

The sharp rises in retail prices during late 1975, general economic recovery, and lower margarine prices likely will have significant impacts on 1976 dairy sales. Retail dairy prices this year will average well above year-earlier levels. In addition, the full impact of the late 1975 rises may not yet have been fully reflected in sales, especially of fluid products. Fluid sales were just slightly above year-earlier levels in January and may slip below the strong 1975 levels in coming months. If sales of fluid products remain fairly close to year-earlier levels during the first half of 1976, sales for the entire year could be about the same as in 1975.

Cheese sales likely will be strong, at least during the first half of the year. Besides rising consumer incomes, relatively high meat prices also will help boost sales. Retail meat prices are expected to be considerably above year-earlier levels and beef prices, especially for the cheaper cuts, likely will rise. For all of 1976, total cheese sales may well surpass 1974 levels. On the other hand, butter will be very hard pressed to match 1975 sales. Unlike early 1975, there is now a substantial difference in retail butter and margarine prices. Disappearance of butter probably will be below year-earlier levels during most of 1976, although the drops may be partially cushioned by the fact that retail price relationships will be somewhat more favorable to butter than during the early 1970's and by some lag as consumers adjust to the reestablished price relationships. Nonfat dry milk use is expected to remain fairly weak, although it may show some gains over the sharply reduced levels of early 1975. However, user inventories apparently were rebuilt in late 1975 and some drawdown of these holdings can be anticipated.

For all of 1976, total dairy sales might be down slightly as lower fluid (on a milk equivalent basis) and butter sales offset increases in cheese. However, these sales may compare favorably with the early 1970's.

Per Capita Consumption Up Slightly

Per capita civilian consumption of milk in all dairy products totaled 546 pounds, up about a half percent from 1974. This increase was the first such gain since 1972. However, per capita sales on a commercial basis were virtually unchanged.

Last year, the civilian disappearance of milk exceeded 115 billion pounds, up from 114 billion pounds in 1974 and about equal to the 1973 level (table 10). Since marketings were virtually the same in 1975 and imports were considerably below year-earlier levels, the increased total use came

Table 9.--Dairy products: Supply and utilization, 1965-75

Year	Supply				Utilization						
						Domestic use					
						Military		Civilian			
	Beginning stocks	Production	Imports	Total supply	Exports and shipments 1/	USDA donations	Commercial sources	USDA donations	Commercial sources	Total use	Ending stocks
	Million pounds										
	Butter 2/										
1965	71	1,346	2	1,419	75	19	41	130	1,102	1,367	52
1966	52	1,128	2	1,182	19	---	33	51	1,047	1,150	32
1967	32	1,238	2	1,272	7	---	21	108	968	1,104	168
1968	168	1,175	2	1,345	41	50	22	141	974	1,228	117
1969	117	1,126	2	1,245	27	30	20	166	913	1,156	89
1970	89	1,143	2	1,234	9	30	15	168	893	1,115	119
1971	119	1,147	2	1,268	99	20	12	171	869	1,171	97
1972	97	1,102	2	1,201	54	20	3	159	858	1,094	107
1973	107	919	56	1,082	17	---	9	162	837	1,025	57
1974 3/	57	962	2	1,021	7	---	9	48	908	972	49
1975 3/	49	976	2	1,027	3	---	9	60	944	1,016	11
	American cheese 4/										
1965	296	1,166	16	1,478	19	3	8	80	1,098	1,208	270
1966	270	1,228	50	1,548	15	---	11	5	1,195	1,226	322
1967	322	1,284	60	1,666	20	---	14	81	1,168	1,283	383
1968	383	1,280	16	1,679	23	4	13	105	1,191	1,336	343
1969	343	1,272	16	1,631	16	1	10	90	1,249	1,366	265
1970	265	1,428	16	1,709	16	---	8	46	1,385	1,455	254
1971	254	1,518	17	1,789	20	---	7	75	1,445	1,547	242
1972	242	1,652	15	1,909	21	---	5	46	1,568	1,640	269
1973	269	1,678	28	1,975	20	---	4	4	1,657	1,685	290
1974 3/	290	1,862	112	2,264	29	---	3	43	1,768	1,843	421
1975 3/	421	1,665	16	2,102	24	---	3	70	1,697	1,794	308
	Nonfat dry milk 5/										
1965	174	1,989	1	2,164	887	6/	8	146	923	2,010	154
1966	154	1,580	3	1,737	410	---	19	127	1,005	1,619	118
1967	118	1,679	1	1,798	434	---	9	108	977	1,541	257
1968	257	1,594	2	1,853	419	---	1	111	1,029	1,575	278
1969	278	1,452	2	1,732	339	---	9	117	1,031	1,510	222
1970	222	1,444	2	1,668	432	---	7	126	953	1,530	138
1971	138	1,418	2	1,558	375	---	5	130	953	1,468	90
1972	90	1,223	2	1,315	305	---	5	107	848	1,270	45
1973	45	917	267	1,229	37	---	1	58	1,055	1,154	75
1974 3/	75	1,020	115	1,210	27	---	1	46	838	916	294
1975 3/	294	1,025	2	1,321	119	---	1	50	678	852	469

1/ Includes USDA exports under P.L. 480 and AID programs as well as commercial exports. For breakdown see DS-328, November 1969, page 26. 2/ Production and commercial use include farm butter. 3/ Preliminary. 4/ Beginning December 1967, includes process cheese held by USDA. 5/ Total use includes quantities used for animal feed. 6/ Less than 500,000 pounds.

Table 10--Milk and dairy products utilization, United States, 1970-75

Year and item	Foreign use			Domestic use								
				Military			Civilian			Military and Civilian		
	Exports	Shipments	Total	Purchases and CCC transfers	Donations 1/	Total	Commercial and farm use 2/	Donations 3/	Total	Excluding donations	Donations	Total
	Million pounds											
Milk 4/												
1970	438	552	990	1,788	631	2,419	108,986	4,187	113,173	110,774	4,818	115,592
1971	2,458	568	3,026	1,608	423	2,031	109,350	4,526	113,876	110,958	4,949	115,907
1972	1,470	677	2,147	1,258	413	1,671	111,839	3,906	115,745	113,097	4,319	117,416
1973	654	638	1,292	1,257	---	1,257	111,870	3,521	115,391	113,127	3,521	116,648
1974	582	576	1,158	1,137	---	1,137	112,434	1,476	113,910	113,571	1,476	115,047
1975 5/	549	495	1,044	1,075	---	1,075	113,507	1,984	115,491	114,582	1,984	116,566
1976												
1977												
Butter												
1970	2	7	9	15	30	45	893	168	1,061	908	198	1,106
1971	93	6	99	12	20	32	869	171	1,040	881	191	1,072
1972	44	10	54	3	20	23	852	159	1,017	861	179	1,040
1973	4	13	17	9	---	9	837	162	999	846	162	1,008
1974	1	6	7	9	---	9	908	48	956	917	48	965
1975 5/	1	2	3	9	---	9	944	60	1,004	953	60	1,013
1976												
1977												
American cheese												
1970	4	12	16	8	---	8	1,385	46	1,431	1,393	46	1,439
1971	4	16	20	7	---	7	1,445	75	1,520	1,452	75	1,527
1972	4	17	21	5	---	5	1,568	46	1,614	1,573	46	1,619
1973	4	16	20	4	---	4	1,657	4	1,661	1,661	4	1,665
1974	5	24	29	3	---	3	1,768	43	1,811	1,771	43	1,814
1975 5/	5	19	24	3	---	3	1,697	70	1,767	1,700	70	1,770
1976												
1977												
Other cheese												
1970	3	5	8	6	---	6	886	---	886	892	---	892
1971	3	6	9	5	---	5	966	---	966	971	---	971
1972	3	6	9	5	---	5	1,105	---	1,105	1,110	---	1,110
1973	3	7	10	5	---	5	1,188	---	1,188	1,193	---	1,193
1974	3	4	7	7	---	7	1,253	---	1,253	1,260	---	1,260
1975 5/	4	5	9	7	---	7	1,289	---	1,289	1,296	---	1,296
1976												
1977												
Evaporated and condensed milk												
1970	50	63	113	6	---	6	1,343	89	1,432	1,349	89	1,438
1971	68	56	124	5	---	5	1,298	95	1,393	1,303	95	1,398
1972	55	72	127	5	---	5	1,231	82	1,313	1,236	82	1,318
1973	43	58	101	4	---	4	1,190	58	1,248	1,194	58	1,252
1974	43	58	101	2	---	2	1,148	28	1,176	1,150	28	1,178
1975 5/	54	64	118	2	---	2	1,038	25	1,063	1,040	25	1,065
1976												
1977												
Dry whole milk												
1970	13	15	28	---	---	---	43	---	43	43	---	43
1971	24	17	41	---	---	---	32	---	32	32	---	32
1972	38	14	52	---	---	---	24	---	24	24	---	24
1973	49	6	55	---	---	---	21	---	21	21	---	21
1974	45	7	52	---	---	---	15	---	15	15	---	15
1975 5/	35	12	47	---	---	---	17	---	17	17	---	17
1976												
1977												
Nonfat dry milk												
1970	416	16	432	7	---	7	953	126	1,079	960	126	1,086
1971	358	17	375	5	---	5	953	130	1,083	958	130	1,088
1972	282	23	305	5	---	5	848	107	955	853	107	960
1973	18	19	37	1	---	1	1,055	58	1,113	1,056	58	1,114
1974	9	18	27	1	---	1	838	46	884	839	46	885
1975 5/	113	6	119	1	---	1	678	50	728	679	50	729
1976												
1977												

1/ P.L. 690 from CCC stocks.
2/ Includes farm household use of home-produced milk and butter.
3/ Includes donations from CCC stocks under Sections 32, 416, and 709.
4/ Milk equivalent, fat solids basis.
5/ Preliminary.

from drawing down dairy stocks. Most of the increase was through commercial channels although government donations, primarily through school feeding programs, were also higher.

Strong butter sales boosted per capita consumption to over 4.7 pounds last year. Ice cream use was also very strong, gaining more than a pound from 1974 levels. The average American ate 14.5 pounds of cheese last year, down from 14.6 pounds a year earlier as the drop in use of American types was not outweighed by gains in other varieties. This was the first such drop in more than a decade. Per person use of fluid whole milk, canned milk, and nonfat dry milk also fell while use of cottage cheese and fluid lowfat milks was up.

Per capita civilian consumption

Item	1973	1974	1975	1974-75 change
	Pounds	*Pounds*	*Pounds*	*Percent*
Products:				
Butter	4.8	4.6	4.7	+2.2
Cheese	13.7	14.6	14.5	-.7
Cottage cheese	5.2	4.7	4.8	+2.1
Ice cream	17.5	17.5	18.8	+7.4
Ice milk	7.7	7.7	7.7	0
Nonfat dry milk	5.3	4.2	3.4	-19.0
Canned milk	4.9	4.4	3.9	-11.4
Fluid milk:				
Whole	217	204	201	-1.5
Lowfat and skim	74.0	78.3	85.4	+9.1
Cream and mixtures	5.6	5.7	6.1	+7.0
Milkfat	20.3	19.9	20.1	+1.0
Milk solids-not-fat	41.9	40.2	41.3	+2.7

Total civilian disappearance of milk in all dairy products this year may be slightly below or about the same as last year. Expected increases in the amount of milk marketed by farmers may go toward rebuilding depleted stocks that existed at the start of 1976. This would indicate a drop in per capita consumption of around 1 percent, about the annual average decline of the early 1970's.

USDA Removals Drop

USDA removals of dairy products under the price support program have been below year-earlier levels since June. Net removals during April-February of the current marketing year totaled 0.9 billion pounds milk equivalent, down from almost 2.0 billion a year earlier. Only negligible amounts of butter and cheese have been bought since July. Because of heavy purchases during January-March 1975, CCC removed the equivalent of 2.0 billion pounds of milk in calendar 1975, up from 1.3 billion pounds in 1974 (table 11).

USDA purchased almost 47 million pounds of butter during April-July 1975, of which almost 21 million pounds was sold back to the domestic industry for unrestricted use during late summer. CCC also removed about 33 million pounds of cheese during April-September. During September-February, there was no significant activity in either product. Removals of both products in April-February of the current marketing year have been well below a year earlier. Calendar year removals totaled more than 63 million pounds of butter, almost double 1974 levels, and 68 million pounds of cheese, up about a tenth from a year earlier.

Removals of nonfat dry milk were by far the heaviest of the products. April-February net removals totaled 269 million pounds, down from almost 340 million pounds a year earlier. After heavy purchases during April-July, small amounts were sold back to the industry last fall as market prices moved up sharply to the sell-back price. About 13 million pounds were purchased in January-February as prices moved down, at times touching the support purchase price. Total CCC removals during calendar 1975 came to 394 million pounds, up almost a half from 1974.

If milk production remains well above a year earlier, price support purchases could be sizable during the flush milk production season. However, little butter and cheese is expected to be purchased yet this marketing year as higher support purchase prices have been announced effective April 1. The amounts of butter and cheese removed from the market in the 1976/77 marketing year will be largely determined by changes in manufactured product and fluid sales, as most of the expected increase in milk production probably will go into rebuilding commercial stocks. Nonfat dry milk removals likely will be heavy again this spring since no substantial pickup in commercial use is expected.

Uncommitted CCC stocks

Item	March 1	
	1975	1976
	Million pounds	*Million pounds*
Butter (bulk)	---	---
Cheddar cheese	4.5	---
Nonfat dry milk	207.5	430.3

At the beginning of March, CCC uncommitted inventories of butter and cheese were almost nonexistent but nonfat dry milk holdings were still quite heavy. Uncommitted inventories totaled about 430 million pounds on March 1, more than twice the year-earlier level. With the school feeding programs able to use only modest amounts, domestic donation outlets for nonfat dry milk have

Table 11--Dairy products removed from the commercial market by programs of the United States Department of Agriculture, 1949-75

Year and month	Removals 1/					Solids content of removals			
	Butter 2/	American cheese 3/	Evaporated milk	Nonfat dry milk 4/	Milk equivalent	Milkfat	Solids-not-fat	As a percentage of marketings: Milkfat	As a percentage of marketings: Solids-not-fat
	Million pounds							Percent	
1949	111.7	25.5	---	325.5	2,489	100.4	321.1	2.6	4.6
1950	14.6	83.2	---	327.2	1,126	40.9	339.9	1.1	4.9
1951	5/-27.3	5/-7.1	---	35.3	5/-618	5/-24.0	31.5	5/	.5
1952	16.1	1.7	---	42.3	339	13.8	41.2	.4	.6
1953	355.2	302.5	---	597.1	10,200	387.5	668.9	9.7	8.6
1954	305.1	242.5	---	644.4	8,588	328.2	695.5	8.0	8.7
1955	162.0	141.3	---	534.7	4,685	179.6	558.0	4.3	6.8
1956	164.6	186.5	---	723.4	5,206	197.6	753.0	4.7	8.7
1957	172.5	240.6	---	825.2	5,870	222.1	867.5	5.2	9.8
1958	183.7	75.0	---	886.0	4,658	178.2	875.0	4.2	9.8
1959	123.7	57.2	---	830.3	3,214	123.8	815.6	2.9	9.1
1960	144.8	.3	---	852.8	3,101	122.6	819.8	2.9	8.9
1961	329.4	100.0	---	1,085.6	8,019	305.0	1,075.3	6.9	11.2
1962	402.7	212.9	---	1,386.1	10,724	402.4	1,399.0	9.1	14.3
1963	307.5	110.9	---	1,219.2	7,745	291.8	1,210.1	6.7	12.4
1964	295.7	128.5	---	1,168.8	7,676	287.6	1,166.9	6.5	11.6
1965	241.0	48.6	---	1,098.4	5,665	217.4	1,074.0	5.0	10.8
1966	25.1	10.8	---	365.8	645	26.2	355.5	.6	3.7
1967	265.1	180.5	---	687.0	7,427	276.3	719.1	6.6	7.5
1968	194.8	87.5	54.9	557.8	5,159	193.2	575.4	4.7	6.0
1969	187.9	27.7	107.5	407.2	4,479	171.6	421.5	4.2	4.4
1970	246.4	48.9	48.4	451.6	5,774	221.1	460.7	5.3	4.8
1971	292.2	90.7	111.4	456.2	7/7,268	7/276.5	7/490.1	6.6	5.0
1972	233.7	30.4	97.0	345.0	7/5,345	7/208.4	7/362.0	4.9	3.6
1973	97.7	3.2	53.7	36.8	7/2,185	7/ 84.9	7/ 49.0	2.1	.5
1974 6/	32.7	60.3	28.3	265.0	7/1,346	7/ 50.4	7/280.2	1.2	2.9
1975 6/									
Jan.	6.9	10.9	1.9	38.8	254	9.5	41.1		
Feb.	16.7	11.0	2.6	46.1	458	17.5	48.4		
Mar.	13.7	13.1	2.6	54.0	418	15.8	56.6		
Apr.	14.6	10.9	1.8	72.5	412	15.9	73.6		
May	21.8	10.6	1.9	73.9	559	21.6	74.9		
June	8.1	6.8	2.3	84.2	240	9.5	83.6		
July	2.3	4.8	2.4	37.8	101	3.9	38.3		
Aug.	5/-17.4	.1	1.8	.5	5/-355	5/-13.8	.7		
Sept.	5/ -3.2	.1	3.3	5/- .4	5/- 59	5/- 2.3	.2		
Oct.	---	---	1.0	5/-4.7	2	5/ 8/	5/-4.3		
Nov.	---	---	.9	5/-7.9	2	5/ 8/	5/-7.4		
Dec.	---	---	1.8	5/- .2	4	5/- .1	.1		
Total*	63.4	68.2	24.5	394.5	2,036	77.7	405.5	1.9	4.2

1/ Delivery basis, after unrestricted domestic sales.
2/ Includes butter equivalent of anhydrous milkfat, PIK, and purchases under Sec. 709.
3/ Includes purchases under Sec. 709.
4/ Includes PIK certificates issued.
5/ Domestic sales exceeded purchases.
6/ Preliminary.
7/ Includes dry whole milk purchases beginning November, 1971.
8/ Less than 50,000 pounds.
*May not add due to rounding.

become quite limited. Uncommitted inventories of nonfat dry milk are likely to remain high unless substantial quantities are programmed for foreign donation.

Dairy Stocks Low

Commercial dairy stocks remained low on February 1. Dairy products in commercial hands were equivalent to only 3.7 billion pounds, down a third from a year ago (table 12). However, the recent increases in milk production have resulted in only slight declines since the start of December. Commercial stocks may start rising seasonally slightly earlier than normal this year and likely will show strong seasonal increases as holdings, particularly of butter, are rebuilt.

Commercial butter stocks totaled just more than 5 million pounds on February 1, a record low for that date and close to the lowest ever recorded. Butter holdings were down a whopping 85 percent from a year earlier.

American cheese in commercial hands was also down substantially from year-earlier levels on February 1 but was in line with earlier years. Stocks totaled 303 million pounds, down a fourth from a year ago. This level of commercial holdings is probably a little snug in light of the recent strength in sales. Stocks of other varieties were also a bit tight and totaled 59 million pounds on February 1, down almost 14 percent from a year ago.

Manufacturers' stocks of nonfat dry milk hit a low of 36 million pounds on November 1 and rose counter-seasonally to about 43 million pounds on February 1. This growth was caused by the weak November-January sales. However, the February 1 stocks were down almost two-thirds from a year earlier. Although manufacturers' holdings probably will grow seasonally this spring, the rise likely will be limited by sales to the government.

Government stocks on February 1, at 0.1 billion pounds milk equivalent, were insignificant except for nonfat dry milk. In fact, they were the lowest on that date in over 20 years. However, USDA still held 410 million pounds of nonfat dry milk, the largest for that date since 1963. Domestic donation outlets have become quite limited and this has resulted in the high government holdings.

FOREIGN TRADE AND DAIRY TRENDS

Dairy Imports Slacken

Dairy imports in 1975 totaled about 1.7 billion pounds milk equivalent, well below the 2.9 billion pounds imported during 1974 (table 13). This year's decline was entirely the result of lower imports of both American and other varieties of cheese. The temporary 100-million-pound Cheddar cheese import quota in effect in early 1974 was not repeated. While generally lackluster cheese sales made the United States a less attractive market, an important factor in the decline in imports of other-than-American varieties probably was the uncertainty resulting from the threat of U.S. imposition of countervailing duties. In addition to the agreements reached with the European Community, Switzerland, and Austria, preliminary determinations have been made in the cases of Norway, Finland, and Sweden. However these latter matters are resolved, it is unlikely that cheese imports will increase substantially.

For all of 1975, imports of all products subject to quota totaled less than 0.9 billion pounds milk equivalent or only two-thirds of the established quota level of 1.3 billion pounds. This was partially due to price increases in exporting countries in the 3 large "pricebreak" cheese categories, which shifted some imports from quota to nonquota status. During the previous 5 years (1970-1974), imports

Dairy product imports (milk equivalent)

Month	1973	1974	1975
	Million pounds	*Million pounds*	*Million pounds*
January	158	372	197
February	102	530	72
March	133	537	79
April	119	160	80
May	140	151	72
June	177	111	80
July	264	138	117
August	124	146	108
September	129	134	152
October	238	179	196
November	1,576	184	292
December	699	282	241
Total	3,859	2,925	[1] 1,674

[1] Revisions not reflected in monthly data.

Dairy product imports[1] (Quota and non-quota)

Year	Yearly quota[2]	Imports subject to quota	Imports not subject to quota	Total
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*
1970	946	845	1,033	1,878
1971	973	776	580	1,356
1972	1,166	1,023	671	1,694
1973	3,608	3,263	596	3,859
1974	2,293	1,966	959	2,925
1975	1,306	867	807	1,674

[1] Milk equivalent. [2] Includes temporary quotas authorized in 1973 and 1974.

Table 12.--Stocks of dairy products, United States, end of year or month, 1960-75

Year and month	Commercial stocks					Government stocks				Total milk equivalent 3/
	Butter	American cheese	Other cheese	Canned milk	Nonfat dry milk	Butter 1/	American cheese 2/	Nonfat dry milk	Evaporated milk	
	Million pounds									
1960	21.2	291.4	40.6	227.5	103.1	55.6	0.6	279.8	---	5,392
1961	19.5	366.4	53.0	230.7	132.5	205.3	53.5	354.9	---	9,902
1962	31.2	307.1	37.8	145.9	99.0	328.2	79.1	576.0	---	12,166
1963	32.1	282.7	39.1	137.4	81.5	239.0	39.1	404.6	---	9,691
1964	37.1	271.9	42.3	192.2	108.8	33.8	24.4	65.5	---	5,294
1965	27.1	270.2	37.6	140.7	58.2	25.0	.3	96.2	---	4,458
1966	30.2	322.1	50.4	204.5	118.2	2.1	.2	---	---	4,858
1967	18.4	302.3	46.2	196.0	98.7	150.2	80.8	157.6	---	8,252
1968	14.5	291.1	62.3	101.3	79.0	102.9	51.6	198.7	5.6	6,634
1969	25.1	264.4	52.1	106.9	83.9	63.6	1.1	137.8	42.9	5,245
1970	19.7	252.7	70.5	115.7	95.3	99.1	1.3	42.6	.1	5,803
1971	26.2	235.6	65.4	88.6	77.0	70.7	6.1	12.5	.2	5,104
1972	11.1	269.3	62.0	74.7	37.9	96.4	.2	6.9	5.8	5,498
1973	33.5	289.9	67.5	69.2	74.5	22.8	.4	.1	4/	5,207
1974										
Mar.	50.5	363.2	75.1	62.2	56.7	7.6	.5	---	4/	5,497
June	99.6	486.2	84.2	127.4	192.2	17.9	.4	3.9	.2	8,174
Sept.	83.2	462.0	76.1	153.5	167.3	22.4	1.0	85.0	.3	7,680
Dec.	34.7	419.8	73.1	79.2	134.6	14.5	1.1	158.6	4/	5,886
1975 5/										
Mar.	32.3	382.3	61.9	54.3	114.4	28.2	3.3	220.5	---	5,640
June	40.0	404.4	64.9	104.0	111.7	59.7	10.6	329.6	4/	6,874
Sept.	25.8	354.8	61.3	96.6	48.6	13.8	15.5	463.9	4/	5,143
Dec.	5.8	305.7	60.8	58.6	47.1	5.0	1.9	421.8	4/	3,854

1/ Includes butter equivalent of butteroil and ghee, 1962-65. 2/ Includes process cheese held by USDA beginning May 1967. 3/ Includes manufactured products for which current monthly series are available (excludes nonfat dry milk). Excludes cream and bulk condensed milk beginning 1968. 4/ Less than 50,000 pounds. 5/ Preliminary.

Table 13--Dairy products: U.S. imports, quota and non-quota, total 1974-75, and January 1975-76 1/

Product	Calendar year quota	Annual			January		
		1974	1975	1975 as a % of 1974	1975	1976	1976 as a % of 1975
	Thou. lb.	Thou. lb.	Thou. lb.	Pct.	Thou. lb.	Thou. lb.	Pct.
Cheese, quota types							
American-Cheddar	10,037.5	107,017	10,600	10	1,764	99	6
-Other	6,096.6	5,101	6,033	118	40	581	1,453
Italian-Original loaves	11,500.1	8,982	10,173	113	368	402	109
-Other	1,494.0	1,185	1,232	104	66	51	77
Edam and Gouda-Natural	9,200.4	(9,371)	(9,207)	(98)	(787)	(201)	(26)
-Processed	3,151.0	( )	( )	( )	( )	( )	( )
Blue Mold	5,017.0	5,015	4,564	91	443	171	39
Swiss-Emmenthaler, -92¢*	20,420.0	12,647	9,409	74	314	680	217
-Gruyere-process, -92¢*	11,242.0	6,285	5,700	91	168	936	557
Other-Over 0.5% fat, -92¢*	40,730.0	35,478	17,852	50	868	565	65
-Under 0.5% fat	8,901.0	8,616	6,360	74	332	454	137
Total	127,789.6	199,697	81,130	41	5,150	4,140	80
Cheese, non-quota types							
Swiss-Emmenthaler, 92¢ +*		51,216	37,342	73	2,154	2,608	121
-Gruyere-process, 92¢ +*		9,019	6,450	72	621	408	66
Other, 92¢ +*		35,916	34,442	96	3,578	2,115	59
Pecorino		16,465	17,114	104	2,753	2,298	83
Roquefort		1,439	1,392	97	144	142	99
Other 2/		1,907	1,557	82	14	122	871
Total		115,962	98,297	85	9,264	7,693	83
Other quota products							
Butter	707.0	453	526	116	8	64	800
Butteroil	1,200.0	1,200	1,200	100	1,200	1,200	100
Butterfat mixtures	2,580.0	---	1,828	---	---	1	---
Ice cream	3,377.3	---	---	---	---	---	---
Frozen cream	12,540.0	12,406	12,352	100	3,762	2,161	57
Nonfat dry milk	1,807.0	115,065	2,465	2	673	276	41
Dried buttermilk	496.0	137	783	572	290	---	---
Evaporated milk	1,312.0	1,214	455	37	414	1	---
Condensed milk	4,079.0	1,393	445	32	85	26	31
Chocolate crumb-Regular	17,000.0	5,859	4,056	69	---	---	---
-Lowfat	4,680.0	---	1,214	---	---	---	---
Animal feed with milk solids	16,300.0	9,009	15,795	175	379	343	90
Non-quota products							
Casein		112,889	58,444	52	6,355	8,541	134
Lactose		1,310	5,501	420	1,672	94	6
Milk equivalent, fat solids basis, total all products	1,305,620	2,924,674	1,673,997	57	197,040	158.316	80

1/ Preliminary. 2/ Gjetost, Bryndza, Gammelost and Noekkelost, and Goya.
*Price break effective October 16, 1975.

subject to quota averaged about 87 percent of annual quotas, including the temporary quotas. During the last 6 years, products imported subject to quota exceeded 90 percent of the annual quota only in 1973, when U.S. milk production declined sharply.

Exports Small

With the exception of nonfat dry milk, dairy exports were small in 1975. Exports of cheese, nonfat dry milk, and evaporated milk increased, while exports of butter, condensed milk, and dry whole milk declined. Exports of dairy products were equivalent, on a fat solids basis, to less than 0.6 billion pounds of milk in 1975, down about 6 percent from the 1974 level. During 1976, exports through commercial channels probably will stay small.

Exports of nonfat dry milk totaled about 113 million pounds in 1975, up from about 8 million pounds a year earlier. Almost all of the increase was a result of government donations under the Food for Peace program (PL 480) last summer, which were made possible by the increased USDA purchases and stocks. Nonfat dry milk exports in 1975 were the highest since 1972 but still far below the 400-million-pound levels of the early 1970's.

Shipments of dairy products to U.S. territories accounted for another 0.5 billion pounds milk equivalent, slightly less than a year earlier. Shipments of most products other than condensed and dry whole milk were down during 1975. Dairy products shipped to territories likely will remain small in 1976.

Dairy product exports

Product	1974	1975	Change
	Million pounds	*Million pounds*	*Percent*
Butter[1]	1.2	0.9	-25.0
Cheese	7.6	8.6	+13.2
Evaporated milk	40.7	51.6	+26.8
Condensed milk	2.2	2.1	-4.6
Dry whole milk	44.7	34.8	-22.2
Nonfat dry milk	8.5	113.0	+1,229.4
Milk equivalent[2]	581.6	546.5	-6.0

[1] Includes butter equivalent of butteroil and anhydrous milkfat. [2] Includes some products not shown separately.

World Stocks of Nonfat Dry Milk Burdensome

Nonfat dry milk stocks are very high and continue to present problems in all major exporting countries. Production has increased but consumption for both human and animal use has fallen. Competition from other sources of protein for animal feed has been a major contributor, as well as the effect of the economic recession on veal consumption in Western Europe. Currently, stocks in the European Community (EC) are almost 2½ billion pounds, about 900 million pounds in Oceania, and around 275 million pounds in Canada. World stocks, especially EC holdings, are expected to show further increases if the EC is unable to force large increases in feed use.

World butter and cheese stocks are also large. By the end of 1975, butter holdings in principal countries were about 5 percent higher than a year ago. While EC stocks declined seasonally in late 1975, their relatively high levels, recent increases in butter intervention prices, and prospective milk production increases suggest a difficult situation in 1976. In addition, cheese stocks late in 1975 were above year-earlier levels in Europe, New Zealand, and Australia.

World milk production increased only slightly in 1975, with preliminary estimates ranging from no change to an increase of one-half percent. However, supplies exceeded demand for milk and milk products as per capita consumption declined, in part attributable to recession-squeezed economies and higher consumer prices.

World milk production in 1976 is expected to increase by up to 1 percent. With this increasing production, the imbalance between supplies and commercial outlets in the developed countries is likely to persist in 1976, especially in the EC.

Table 14.--U.S. Dairy Situation at a Glance

Item	Unit or base period	1974	1975							1976
		Jan.	Jan.	Feb.	Sept.	Oct.	Nov.	Dec.	Year	Jan.
Production and cow numbers:										
Total milk	Mil. lb.	9,333	9,379	8,781	9,068	9,171	8,823	9,284	115,458	9,545
Milk per cow	Lb.	828	837	784	815	825	795	837	10,354	862
Number of milk cows	Thou.	11,266	11,199	11,195	11,128	11,116	11,100	11,091	11,151	11,079
Prices received by farmers:										
All milk, sold to plants, 100 pounds	Dol.	8.89	8.33	8.28	9.16	9.66	9.99	10.30	8.72	10.20
Percentage of parity 1/	Pct.	89	74	74	78	81	82	85	77	82
Manufacturing grade milk, 100 pounds	Dol.	8.13	7.00	7.04	8.22	8.72	8.99	9.27	7.69	9.07
Parity equivalent	Dol.	7.96	9.14	9.22	9.64	9.64	9.64	9.64	9.44	10.00
Fat content	Pct.	3.77	3.78	3.73	3.67	3.77	3.80	3.81	3.68	3.77
Minnesota-Wisconsin (3.5% fat), 100 pounds	Dol.	8.10	6.80	6.85	8.27	8.60	8.84	9.08	7.62	8.90
Milk eligible for fluid market, 100 pounds	Dol.	9.09	8.69	8.64	9.41	9.89	10.20	10.50	9.00	10.50
Price ratios and dairy ration values:										
Milk-feed	Lb.	1.53	1.25	1.33	1.54	1.62	1.77	1.80	1.46	1.75
Manufacturing grade milk-hog	Lb.	.20	.19	.18	.14	.15	.18	.20	.16	.19
Manufacturing grade milk-beef cattle	Lb.	.18	.25	.26	.24	.25	.27	.27	.23	.27
Value of concentrate ration fed milk cows	Dol.	5.77	6.64	6.21	5.96	5.95	5.63	5.71	5.96	5.84
Farm cash receipts from dairy products	Mil. dol.	817	755	719	798	861	861	940	9,790	964
Production of factory products:										
Creamery butter	Mil. lb.	83.0	97.4	90.4	57.0	66.6	64.8	83.0	975.6	94.3
American cheese, whole milk	Mil. lb.	152.1	130.6	122.1	115.6	120.7	117.0	135.6	1,664.5	149.3
Cheese, other than American	Mil. lb.	87.9	85.7	81.7	97.4	97.9	93.9	102.5	1,131.4	99.7
Canned milk, unskimmed	Mil. lb.	89.5	73.9	70.2	73.7	68.7	64.3	74.6	932.5	76.2
Dry whole milk	Mil. lb.	6.5	4.8	3.9	4.2	5.4	5.3	6.8	63.6	7.4
Frozen products 2/	Mil. gal.	72.3	79.3	81.4	104.6	92.2	76.8	76.7	1,185.2	74.3
Creamed cottage cheese	Mil. lb.	72.1	71.8	68.9	72.2	73.5	65.2	65.3	881.5	70.5
Total whole milk equivalent 3/	Mil. lb.	4,760	4,844	4,657	4,322	4,341	4,042	4,660	59,837	4,975
Nonfat dry milk, human use	Mil. lb.	55.0	83.5	81.6	53.2	50.3	49.3	67.1	1,024.9	67.0
Wholesale prices:										
Butter, 92-score, Chicago, pound	Ct.	68.5	66.8	68.1	87.9	93.0	97.3	103.6	79.4	86.1
Cheese, American (40-pound blocks), f.o.b. Wisconsin assembling points, pound	Ct.	89.9	74.8	76.9	94.0	99.0	99.3	101.7	86.6	100.4
Evaporated milk, case (mid-point of range)	Dol.	11.12	11.93	11.93	12.32	12.40	12.62	13.67	12.27	13.78
Dry whole milk, pound	Ct.	69.7	64.5	64.8	76.2	79.2	83.4	86.8	71.0	83.1
Nonfat dry milk, pound	Ct.	54.0	58.8	60.0	64.6	68.9	70.2	70.5	63.3	65.9
Dairy products and ice cream index (BLS)	1967=100	145.1	148.3	148.5	160.8	165.6	168.1	171.3	155.8	169.7
Retail prices (BLS):										
Milk, fresh, grocery, half-gallon	Ct.	75.9	79.3	79.2	77.7	78.7	80.2	81.1	78.5	82.1
Evaporated milk, 14½-ounce can	Ct.	25.8	30.5	30.6	30.6	31.0	31.6	32.3	30.8	33.5
Cheese, American, processed, sliced, ½-pound package	Ct.	70.5	73.1	73.6	77.9	80.6	84.0	85.1	76.8	86.2
Butter, pound	Ct.	100.1	92.1	94.9	107.1	114.6	117.6	124.6	102.5	129.8
Ice cream, half-gallon	Ct.	100.3	121.6	122.3	120.8	123.3	123.8	126.0	122.3	125.6
Dairy products index	1967=100	146.3	155.2	155.6	156.3	159.4	162.8	165.5	156.6	168.2
All foods index	1967=100	153.7	170.9	171.6	177.8	179.0	179.8	180.7	175.4	180.8
Margarine, colored, pound	Ct.	45.9	71.4	70.8	58.9	58.9	58.3	57.5	62.9	56.7
Stocks, end of month:										
Creamery butter	Mil. lb.	51.4	53.7	61.3	39.6	27.0	15.1	10.9	---	9.7
Cheese, total 4/	Mil. lb.	366.8	485.9	458.1	431.5	393.3	379.7	368.6	---	362.5
Canned milk, unskimmed	Mil. lb.	54.5	68.1	61.8	96.6	71.0	63.9	58.6	---	44.6
Dry whole milk	Mil. lb.	6.0	7.0	7.4	6.2	4.4	3.5	5.6	---	8.7
Total whole milk equivalent 5/	Mil. lb.	4,637	5,894	5,775	5,143	4,442	4,043	3,854	---	3,396
Nonfat dry milk	Mil. lb.	57.9	308.4	315.0	512.5	485.8	473.3	468.9	---	453.6
Commercial disappearance:										
Creamery butter	Mil. lb.	79.6	90.4	70.4	66.2	77.1	72.2	85.1	942.8	96.3
Cheese, American	Mil. lb.	160.1	125.3	135.7	142.2	154.6	131.7	150.4	1,727.1	153.5
Cheese, other than American	Mil. lb.	107.5	102.7	93.8	112.3	115.4	118.9	126.0	1,306.5	112.2
Canned milk, unskimmed	Mil. lb.	105.1	83.6	73.9	79.3	93.4	70.4	78.1	929.5	88.0
Milk in all products	Mil. lb.	9,786	9,099	8,333	9,419	9,691	9,101	9,381	113,693	9,504
Nonfat dry milk	Mil. lb.	69.6	58.8	43.2	75.5	67.8	56.6	57.4	720.4	64.4
USDA net removals:*										
Butter	Mil. lb.	.1	6.9	16.7	-3.2	---	---	---	63.4	---
Cheddar cheese	Mil. lb.	.6	10.9	11.0	.1	---	---	---	68.2	---
Nonfat dry milk	Mil. lb.	2.5	38.8	46.1	-.4	-4.7	-7.9	-.2	394.5	6.7
Evaporated milk	Mil. lb.	.4	1.9	2.6	3.3	1.0	.9	1.8	24.5	2.3
Total whole milk equivalent	Mil. lb.	9	254	458	-59	2	2	4	2,036	5
Fluid sales, change from year earlier: 6/										
Whole milk	Pct.	-8.3	-.9	-.2	-.4	-1.0	-2.2	-1.7	-1.0	
Cream and cream mixtures	Pct.	+0.6	+1.7	+4.5	+8.9	+8.7	+4.2	+11.5	+3.1	
Low-fat and skim milk	Pct.	+7.3	+10.4	+11.9	+10.4	+9.3	+8.4	+9.3	+9.9	
Total	Pct.	-4.3	+2.4	+3.4	+2.9	+2.2	+1.1	+1.7	+2.4	

1/ Seasonally adjusted price as percentage of parity price.
2/ Ice cream, ice milk, and sherbet.
3/ Includes manufactured products for which current monthly series are available.
4/ Natural, plus process American cheese held by CCC.
5/ Excludes cream and bulk condensed milk.
6/ Daily average sales in Federal and State Marketing areas.

* Minus denotes domestic sales exceeded purchases.

LIST OF TABLES

Table	Title	Page
1	Milk production, milk per cow, and milk cows on farms, by months, 1969-75, with comparisons	6
2	Production, price, and income changes by production regions, 1975	7
3	Milk: Production by production regions, 1971-75, with comparisons	8
4	Milk production and factors affecting supply, United States, selected years, 1950-76	9
5	Factors influencing and indicative of the demand for milk and dairy products, United States, selected years, 1950-75	14
6	Production of selected manufactured dairy products, 1973-75	17
7	Commercial disappearance: Total milk, annual and by quarters, 1973-75	18
8	Commercial disappearance: Selected dairy products, United States, annual 1965-74, by quarters, 1974-75	19
9	Dairy products: Supply and utilization, 1965-75	21
10	Milk and dairy products utilization, United States, 1970-75	22
11	Dairy products removed from the commercial market by programs of the U.S. Department of Agriculture, 1949-75	24
12	Stocks of dairy products, United States, end of year or month, 1960-75	26
13	Dairy products: U.S. imports, quota and non-quota, total 1974-75, and January 1975-76	27
14	U.S. dairy situation at a glance	29

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